力高集團
REDCO GROUP

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2018 ANNUAL REPORT

力高地產集團有限公司
REDCO PROPERTIES GROUP LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE : 1622

CONTENTS

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018 RMB' 000	2017 RMB' 000	Change (%)
Revenue	**6,735,931**	6,734,067	0.0%
Gross profit	**2,387,720**	1,676,440	42.4%
Profit before income tax	**2,213,472**	1,597,867	38.5%
Profit for the year	**1,296,428**	990,132	30.9%
Profit attributable to owners of the Company	**990,747**	862,237	14.9%
Total assets	**35,146,306**	19,872,007	76.9%
Cash and cash equivalents	**5,678,863**	3,587,062	58.3%
Total bank and other borrowings	**11,059,681**	7,243,219	52.7%
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	**27.90**	24.28	14.9%

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Yeuk Hung
Mr. HUANG Ruoqing
Mr. TANG Chengyong
Mr. Wang Weifeng (appointed on 15 April 2019)

Independent Non-executive Directors

Dr. WONG Yau Kar, David GBS, BBS, JP
Mr. CHAU On Ta Yuen SBS, BBS
Mr. YIP Tai Him
Mr. CHOW Kwong Fai, Edward JP

COMPANY SECRETARY

Mr. CHAN Hing Chau

AUTHORISED REPRESENTATIVES

Mr. HUANG Ruoqing
Mr. CHAN Hing Chau

AUDIT COMMITTEE

Mr. CHOW Kwong Fai, Edward JP *(Chairman)*
Mr. YIP Tai Him
Dr. WONG Yau Kar, David GBS, BBS, JP
Mr. CHAU On Ta Yuen SBS, BBS

REMUNERATION COMMITTEE

Mr. YIP Tai Him *(Chairman)*
Mr. CHAU On Ta Yuen SBS, BBS
Mr. HUANG Ruoqing

NOMINATION COMMITTEE

Mr. HUANG Ruoqing *(Chairman)*
Dr. WONG Yau Kar, David GBS, BBS, JP
Mr. CHAU On Ta Yuen SBS, BBS

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS

Sidley Austin
39th Floor, Two International Finance Centre
Central, Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Redco Building
Tower 5, Qiaochengfang Phase I
No.4080 Qiaoxiang Road
Nan Shan District, Shenzhen
People' s Republic of China

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

Room 2001-2, Enterprise Square 3
39 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Minsheng Bank
Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
Hang Seng Bank
Wing Lung Bank

INVESTOR RELATIONS

Email: ir@redco.cn
Fax: (852) 2758 8392

STOCK CODE

1622

WEBSITE

www.redco.cn

KEY EVENTS OF THE YEAR

力高集團
REDCO GROUP
股份代碼:1622.HK

01 The Stock short name of the Company changed from REDCO PPT to REDCO GROUP

January | February | March | April | May

02 The Group successfully bidded a premium commercial and residential land in Hangu New District, Binhai New Area, Tianjin

03 The Group re-expanded the land parcel of Redco Delight Scenery project in the New and High-technology Development Zone of Nanchang for further development and cultivation of Nanchang

04 The Group acquired the land parcel of Cloud Metropolis project in Ningbo and entered Shanghai area, further strengthened our strategic layout in the Yangtze River Delta Region

The Group acquired the land parcel of Jinhai Mansion project in Nantong, further expanding the layout in Hangzhou Bay Area

05 The Group was awarded "Top 100 Listed Property Developers in China in 2018"

06

The Group acquired the premium commercial service land parcel in Wuhan Optics Valley, planning our layout in Central China

The headquarters of the Group officially moved to Redco Building in Shenzhen, striving to enhance brand influence and talent attraction continuously with a higher platform and broader vision

07

The Group became a constituent in the Hang Seng Stock Connect Big Bay Area Composite Index

June

July

August

06

Youju Meijia Property of the Group was awarded "Top 100 Property Service Enterprises in 2018"

The Group successively acquired the land parcel of the Phoenix, Fenghuangzhou, Honggutan and Royal City, Xianghu Xin Cheng project in Nanchang, further intensifying our strategic layout in the area

08

The Group was awarded "2018 PRC Investment Value Real Estate Enterprise Award of the China Real Estate Fashion Awards"

September

09

Under the new position of diversified community operator, the launch of "signature architecture in building enjoyable living – 2018 Redco Group Good Life Home" was grandly held. The Group cooperated with several professional organizations such as Ningbo material technology and engineering research institute of Chinese Academy of Sciences and held a strategic cooperation signing ceremony. Redco will gather premium resources in the future to innovate itself and work with quality partners, hence creating a more imaginative living space with its accurate and efficient execution, realizing a cross-border development of the Group.

09

The Group was awarded "Top 10 Professional Leading Brands in Residential Property Development in the PRC in 2018 – quality residence" and "Top 10 Brands of South China Real Estate Companies in 2018", with a brand value of RMB5.083 billion.

November

The Group successfully acquired the premium land parcel in Suzhou Park, further expanded its Shanghai layout

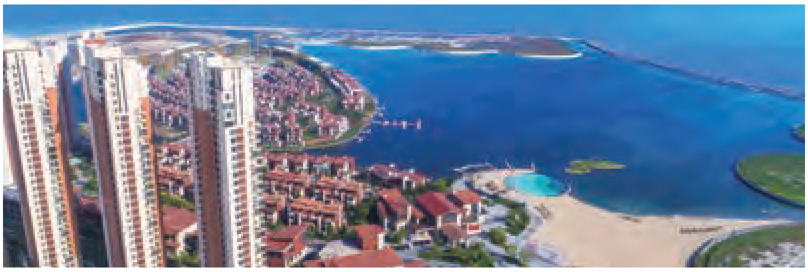
11

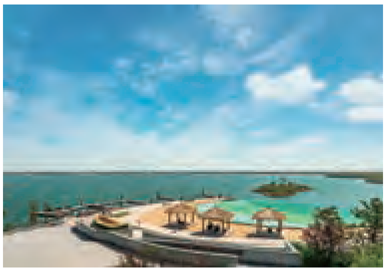
The Group successfully bidded the land parcel of the five dimensional in one premium complex – Redco YONG Lake International project in Nanchang

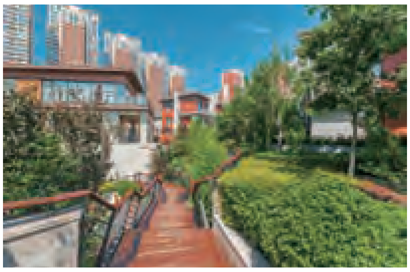
December

12

The Group acquired the premium residential land parcel in Chidian, Jinjiang, further developed in the Greater Western Taiwan Straits Economic Zone







TIANJIN, SUNSHINE COAST

Sunshine Coast, Tianjin is located at the eastern coast of Tianjin and the centre of Sino-Singapore Tianjin Eco-city, representing the major high-end residential project with handsome investment from the Redco Group. The project has a total area of about 480,000 square meters, with a gross floor area of about 1.4 million square meters. The product line is rich, mainly including high-rise apartments with sea views, landscape houses, and island villas.

The project is located in the center of the eco-city. It is adjacent to Tianjin Central Fishing Port in the east, Binhai Aircraft Carrier Theme Park in the west and Bohai Sea in the south as one of the main highlights of the project. It has a private seafront of 500,000 square meters and adjacent to a large wetland park in the north. Leveraging on the unique seascape resources and ever-growing auxiliary facilities, the project aims to set up a high-end ecological residential project with a million square meters of ecological city integrating living, culture and tourism.

The project has adopted a model architectural style to be developed in phases. The island layout was divided into 2 halves, namely the north and the south; with residential building and commercial zone in the north, the southern island is surrounded by the sea and linked to the northern section by an arch bridge, creating an island-style living area as a full sea-view panorama villa project.

NANCHANG, ROYAL CITY

Located on the central axis of Xianghu City, Royal City is close to Dongyue Avenue and August Lake Road, facing Jiulong Lake across the river. In the future, with the completion of the construction of the main roads such as Taoxin Avenue and Jiulong Lake Crossing River Tunnel, it will be connected to the Honggu beach and the old city core, offering great convenience in transportation.

The property is at the central area of urban development, its high quality set a new standard for the whole Xianghu area. Within its vicinity are the Fuhe Old Road Wetland Park, Changnan Sports Center and other high-quality civil facility. To its north is the government's key nine-year educational area, the provincial medical institution Nanda 1 Affiliated Hospital is just across the street. With its own large-scale commercial district, this place offers quiet living with easy access to bustling city life.

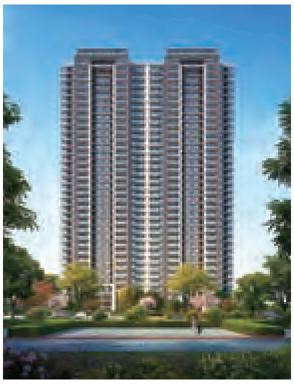
Royal City covers an area of about 225,000 square meters, with a construction area of about 650,000 square meters. It consists of 33 high-rise residential buildings with 17-33 floors, and a 50,000 sq.m. commercial block. In line with the luxurious aesthetic standard of the “Royal Series” of Redco group, its layout is particularly spacious and maintain a balance between functions and aesthetics, providing roomy and comfortable homes to the owners.

NANCHANG, THE PHOENIX

The Phoenix is located at the intersection of Fenghe North Avenue and Zhujiang Road, to its east is the Fenghe North Avenue and the Pearl River Road Station of route 4 subway line, to its west is the Phoenix North Avenue, to the south is Xiangjiang Road while the Phoenix Impression Mall is to its north.

The project covers a total area of 55,000 square meters and a total construction area of 235,000 square meters. It is a large-scale commercial complex built by Redco Group and is one of the highest standard public buildings in Nanchang, recognized as a “Green two-star” building by the government.

The South Block currently being developed consists of three apartments and two commercial buildings. The municipal leisure square of the South Block consists of a waterway, a roof sky garden and landscape gardening. The combination of dynamic life and serenity provides the citizens with convenient leisure and shopping areas, which has attracted a lot of traffic for the business and increased potential consumption.



NINGBO, CLOUD METROPOLIS

The Cloud Metropolis is located on the north side of Yuyao North Station of the high-speed railway, the intersection of the two traffic arteries of Yuci Highway and Chengdong Road, as a three-dimensional transportation network center, it takes only 10 minutes to walk from the high-speed railway station to the community.

The project is located at the core of the Cloud City of China. As an important part of the Cloud City of China (Yuyao) industrial base project, the Cloud Metropolis will leverage on the advantages of high-speed rail transportation to plan a living city based scientific and technological concepts.

The project is divided into three phases, with a total planning of about 412,000 square meters and a floor area of 88-143 square meters. Consists of 9 villas and 6 high-rise buildings, it is the only flagship project in Yuyao Chengbei District. The architectural style is exquisite and elegant. The residence is equipped with modern intelligent technology systems such as face recognition. The project has a ready-made high-speed rail transportation resource. Since its opening, it has been in highest demand within the Yuyao Northern District, and was listed among the top ten sales in Ningbo.

ZHONGSHAN, ROYAL FAMILY

Royal Family, Zhongshan is located on the Fuhua Avenue, the major hub of Zhongshan and the arterial road of the urban area. Surrounded by schools and academies, the project faces the Western District Middle School, and is rich in living resources, such as the large-scale supermarket shopping plaza, KTV, cinemas, restaurants, fitness center, etc., offering all-rounded living facilities within walking distant.

The project covers an area of about 31,000 square meters with a gross floor area of about 100,000 square meters. It adopts the classic Art-Deco architectural style, with elegant and beautiful new Asian gardens, and a horizontal layout design allowing southward front for every apartment with a 7 meters wide balcony, which is a rare find in urban cities, and creates a low-density, all-south-facing apartment community, and fully meets the expectation of customers' multi-dimensional ideal city life.

HEFEI,
BLUELAKE CITY

Bluelake City is located at the Feidong Economic Development Zone, adjacent to the city centre along Changjiang Road which divides the east and west districts, and within walking distance to the Yuzhou Central City station on the planned eastward extension of the Metro Line 2, and close to the business hub of Yuzhou Central City, allowing convenient transportation and all-rounded auxiliary facilities.

The project has an aggregated area of 114 Mu and a gross floor area of 228,000 square meters. It contains 8 houses and 13 highrise residential buildings and commercial matching facilities. The overall layout is low in the south and high in the north, creating a thousand-ping lawn and garden in the centre, integrating daily life with the nature. Its plan includes a wide distance between buildings and double-side open balcony, so that the sun becomes the main theme of daily life, setting up the project as the role model of quality living within Dongcheng.

WUHAN,
REDCO COURTYARD

Located on the bank of Houguan Lake in Wuhan, Redco Courtyard is in close proximity to the Wuhan Economic Development Zone and the Sino-French Ecological New City. This excellent location is at the intersection of two major expressways of the city, enjoys well-developed transport network such as the Fourth Ring Road, the Dongfeng Avenue Rapid Elevated highway, Metro Line 3, etc.

This residential project covers an area of about 100,000 square meters, with a total construction area of about 112,000 square meters and the greening rate is as high as 50%. With a magnificent lake view in the front, the property offers a variety of residence such as houses, townhouses, double-strands, etc. The main area is about 95-195 square meters, including boutique commercial streets and star-rated hotels.

The layout of the project follows the natural surroundings, preserving the original lakeside scenery as much as possible. Landscape designs are made to suit the terrain, with motifs drawn from traditional Chinese academy culture. The property is divided into four zones corresponding to the “four arts” of the Chinese scholar, namely music, chess, calligraphy and painting. Combined with the five-fold traditional mansion setup and the grandiose courtyard, this place offers an idyllic dwelling in the contemporary urban life.

JINAN,
REDCO VISIONARY

Redco Visionary is located at the centre of Jiyang's commercial area, close to the 250,000 square meters Yellow River Fitness and Leisure Park. The project is adjacent to Kaiyuan Street in the west and S249 Provincial Road in the east. It has convenient transport network and is only 20 minutes from Jinan Yaoqiang International Airport and Airport Expressway, accessible from all directions.

The project is positioned as a residential area on the frontier of the urban renewal zone of Jinan City. It is composed of quality residential building, large-scale integrated commercial complex, star-rated hotel and artificial intelligence research and development centers. Integrating residence, science education, culture, entertainment, catering and shopping facilities, Redco Visionary is bound to be a part of a full function urban center that is comparable with international metropolis.

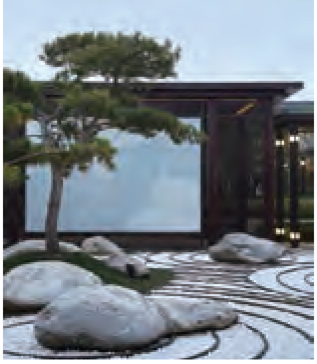
The total planned land area of the whole project is about 745 acres, and the total construction area is about 1.34 million square meters. The project includes residential towers, large-scale integrated commercial complex, brand flagship stores, star-rated hotels, research and development exhibition centers, primary schools, kindergartens, community medical service centers and greenbelt parks, fulfilling our customers' expectation for a full-featured urban life.

JINAN, SPRING VILLA

Spring Villa is another masterpiece of Redco after its 12 years of hard work in Qilu, and an ingeniously designed residence built on a hot springs spot known for the healthy properties. Located at the core of Jinan's urban renewal pilot projects, Spring Villa benefits from the new development and enjoys convenient transportation, in addition to the pleasant natural scenery in its surroundings.

The property situates at the central area of Jinan geothermal resources, the depth of the hot water aquifer is 1,800 meters, and the water temperature at the wellhead is as high as 57° C. It is a rare high-quality hot spring resource in northern China. The building concept of Spring Villa is centered on its unique high-quality geothermal resources, the aim is to create a unique healthy Hot Springs-themed residence in Jinan. Other development around Spring Villa includes premier hot spring resort hotels, kindergartens and community health care facilities residents can enjoy a full range of convenient life without the need of leaving home.

Spring Villa covers an area of more than 400 acres, with a construction area of 580,000 square meters. The project includes low-density luxury villas, 11-storey apartments, 18-27-storey high-rise, premier hot spring resorts and other facilities. The building adopts a new Asian architectural style, the courtyards are a mix of Chinese-style gardening and oriental Zen gardens to recreate a secluded enclosure. The five courts with three entrances to allow passage through the three stages to show the ceremonial order of returning home.



LETTER TO SHAREHOLDERS

MR. HUANG RUOQING

President

DEAR SHAREHOLDERS,

I am pleased to present the business review and prospect of the year ended 31 December 2018 of Redco Properties Group Limited (the "Company") and its subsidiaries (collectively, the "Group").

RESULTS

In 2018, the Group's contract sales amount reached RMB21.986 billion, and the contract sales area was approximately 2.488 million square meters, representing a year-on-year increase of 66.6% and 99.7% respectively. In addition to the expansion in business scale, we are pleased with the improvement in profitability of the Company, recording a profit of RMB1,296.4 million, up 30.9% over the corresponding period last year. Profit attributable to the owner of the Company was RMB990.7 million, an increase of 14.9% over the corresponding period last year, while the gross profit margin increased to 35.4%. Meanwhile, the Board of Directors announced the distribution of a final dividend of RMB3 cents per share, total dividend for the year was of RMB5.5 cents.

2018 REVIEW

In 2018, the national investment in real estate development reached RMB12 trillion, representing a year-on-year increase of 9.5%, while sales of commercial houses reached a record high yet again at RMB15 trillion. Despite the positive return of investment in the overall real estate development, the market in 2018 presents a test for industry players. Under the position of the Central Government of "Housing for residents and not speculators" ("房住不炒"), there remain tight control over the real estate market policies, in particular, upon the implementation of regulatory policies in multiple "hot spot" cities, the real estate market is gradually returning to rationality as the price trend stabilizes.

2018 was the first year of the Group's three-years strategic plan, for which the Group has formulated a clear and definitive strategy for its business and products, and has formulated Redco's standardized development model, laying a solid foundation for the Group's leap-forward development in the future. During the year, the management standards were strengthened, the professional management systems were upgraded, while an efficient operation management system was established to enhance the operational efficiency of the Company. In response to policy adjustments and market changes, the Group adopted a proactive investment strategy, improved product development and marketing capabilities, and achieved positive sales performance and became one of the National Top 100 companies in terms of sales during 2018, which demonstrates the strong and healthy development trend of the Group.

LAND BANK

Land reserve has become the key competitive power of corporations. The Group adheres to the prudent land acquisition principle and the investment strategy of "expansion into the first-tier cities and further development into the strategically targeted second-tier cities (大力拓展一線城市, 深耕已進入的強二線城市)", and focuses on the Bohai Economic Rim, the Yangtze River Delta Economic Zone, the Guangdong-Hong Kong-Macao Greater Bay Area, the Western Taiwan Straits Economic Zone, as well as the core cities within the central and western regions. During the year, the "investment engine" achieved initial results, allowing the Group to seize market opportunities and to implement investment strategies effectively. Through successful tenders and auctions as well as mergers and acquisitions, the Group has successfully acquired certain high-quality projects, and entered into the four developing markets in Wuhan, Hubei; Ningbo, Zhejiang; Nantong, Jiangsu; and Suzhou, Jiangsu. As of 31 December 2018, the Group's total land bank amounted to approximately 10 million square meters, with significant increase in high-quality land bank, representing a growth rate of 104%, which provided sufficient momentum for the continuous rapid development in the future.

FINANCIAL PERFORMANCE

The Group has adopted a prudent financial strategy to maintain a reasonable capital structure and gearing ratio. While the business performance recorded a rapid growth, the net debt-to-capital ratio has remained low at 32.4% in 2018. The Group actively explore a variety of financing channels, bringing down the average finance cost to 7.13%.

BRAND UPGRADES

In September, the Group held a brand launch conference of "Good Life Home (美好生活家)", and communicated the core spirit and clear brand development strategy of "finely creating and enjoying life" to the community, which further enhanced the Company's reputation. The Group was honored with two prestigious ranking: "Top 10 Professional Leading Brands in Residential Property Development in the PRC – quality residential property", as well as "Top 10 Professional Leading Brands in Southern China Residential Property Development" jointly organized by the Enterprise Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy, and our brand is valued at RMB5.083 billion. Shenzhen UG Property Management Co., Ltd., a subsidiary of the Group, ranked 68th among the "Top 100 Property Management Service Enterprises in the PRC". Royal Family, the Hefei project managed by UG was recognised as a "2018 Five-star Property Service Community in the PRC". The accumulation of brand value and influence of the Group will continue to drive the healthy and steady development of the Company.

DIVERSIFIED BUSINESS DEVELOPMENT

This year, the Group will continue to invest in the real estate sector while expanding its real estate extension business. We officially established the Redco Dynamic Investment Group as part of our rapid diversified business expansion efforts. During the year, the Group has established strategic co-operation with a number of well-known enterprises, such as the Ningbo Institute of Materials Technology and Engineering of the Chinese Academy of Sciences, and continuously instill new energy into the steady development of the Company. Our healthcare takes the construction and operation of community healthcare comprehensive service platform as the entry point, and introduce the high-quality community healthcare management model to the property owners. The model gradually becoming an independent and complete advanced healthcare service business operation model and creating new business value, adding value to our core business.

2019 OUTLOOK

Looking ahead, the Group remains optimistic towards the economic development of China. Combining with the supporting factors in economic, market, population and cultural aspects, we are firmly optimistic towards the sustainable development of the industry, and there is still large room for development for China's real estate industry in the future. Under the premise of "Housing for residents and not speculators" ("房住不炒") and "Differential Governing by Cities" ("因城施政"), it is expected that the real estate market in 2019 will maintain a stable development, while the market differentiates and upgrades.

In the race of a thousand sails, those who do not advance would fall behind. 2019 represents another year of opportunities for the Group's leap-forward development. Through hard work and strengthening our own operation and management abilities, Redco would be able to leverage on our core competitiveness to seize any development opportunities regardless of the pressure brought by external environment, and we shall overtake the curve in terms of development.

In 2019, the Group will develop around the dual themes of "Constant" and "Dynamic". We shall remain constant on our business philosophy of "focusing on capital-based operation and achieving high turnover of quality products". At the same time, we shall be "Dynamic" as to maintain our "sensitivity" in the face of ever-changing market environment, be flexible in adjusting our response and roll out corresponding business strategies.

The Group will continue to firmly implement its real estate investment strategy, attach great importance to the in-depth exploration of opportunities in the key second-tier cities where we have established our businesses. We shall increase investment in the Guangdong-Hong Kong-Macao Greater Bay Area and make land acquisition through a combination of various methods. Financially, we shall toe a prudent and steady line, explore multi-channel financing and lay a solid foundation for the Company's growth in business scale and sustainable development. We shall continue to aim for diversification of our properties, adhere to the principle of diversified light-weight assets development, adopt a variety of flexible mechanisms to further our development progress.

Our assessment and incentive mechanism stresses performance-based merits, and aim to promote the enthusiasm and motivation of our project companies as the Group' s frontline congregations. Moreover, the Group focuses on constantly upgrading the products and introducing newer generations, as well as strengthening the research and development of products to improve their core competitiveness, whereas the efforts in building up our brands shall be enhanced and the customer service system shall be refined to lift customer' s level of satisfaction. We share enhance the echelon formation, continuously implement talent programmes, optimize organization structure, as well as enhance the efficiency of each staff member. All these measures will further stimulate the growth of the Redco Group, setting it on the path of high-speed development.

ACKNOWLEDGEMENT

On behalf of the Board, I take this opportunity to express my heartfelt gratitude to all shareholders, investors, partners, owners and the community for their trust and support. I would like to express my gratitude and respect for the contributions of the members of the Board, the management of the Company and all staff members of Redco. Looking ahead, the Company will continue to strive for maximum value for all shareholders to achieve considerable returns.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

BOARD OF DIRECTORS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company currently consists of seven Directors, comprising three executive Directors and four independent non-executive Directors. The powers and duties of our Board include determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum of Association (the “**Memorandum**”) and Articles of Association of the Company (the “**Articles of Association**”). The biographical details of the Directors are as follows:-

Executive Directors

Mr. WONG Yeuk Hung (黃若虹先生) (“Mr. Wong”), aged 55, has been an executive Director and the Chairman of the Board since 9 March 2017. He was the founder of the Group in 1992. He was responsible for strategic planning and overall management of the group’ s business from 1992 to 2014. He currently serves as a director of certain subsidiaries of the Company. He currently serves as a member of the committee of the Thirteenth National People’ s Congress of the Chinese People’ s Political Consultative Conference, as a Vice Chairman of the Hong Kong Federation of Fujian Associations, and as a Vice Chairman of the China Association of Poverty Alleviation & Development. Mr. Wong is currently pursuing a Master degree of Business Administration in the University of Science and Technology of China.

Mr. Wong is the elder brother of Mr. Huang Ruoqing and he is not related to any of the other directors or senior management of the Company. By virtue of the Securities and Futures Ordinance (the “**SFO**”), Mr. Wong is deemed to be interested in 1,387,258,000 shares of the Company (the “**Shares**”) held by Global Universe International Holdings Limited (“**Global Universe**”)as at 31 December 2018. For further details, please refer to the section headed “Directors’ and chief executive’ s interests and short positions in Shares, underlying Shares and debentures” in the directors’ report.

Mr. HUANG Ruoqing (黃若青先生) (“Mr. Huang”), aged 50, is our executive Director and the president. Mr. Huang has been a Director since 14 July 2008 and was re-designated as our executive Director on 14 January 2014. Mr. Huang is the authorised representative of the Company and the chairman of the nomination committee of the Company (the “**Nomination Committee**”) and a member of the remuneration committee of the Company (the “**Remuneration Committee**”). Mr. Huang is responsible for the day-to-day management and operations of the Group, supervising the land acquisitions and overseeing project planning and execution of the Group. Mr. Huang is currently a director of Times International Development Company Limited (“**Times International**”) and many of our subsidiaries. Mr. Huang received a bachelor’ s degree in architecture from Huaqiao University (華僑大學) in the PRC in July 1990. From August 1990 until he joined us in May 1994, Mr. Huang worked as an architecture designer, assistant architect and project manager successively in Quanzhou Construction Design Institute (泉州市建築設計院). Mr. Huang has over 25 years of experience in the real estate industry in the PRC, and he has received various awards, making him a new leader in the real estate industry in the PRC. Mr. Huang was appointed as a visiting professor at Jiangxi University of Finance and Economics (江西財經大學) in December 2015. Mr. Huang is the younger brother of Mr. Wong Yeuk Hung and he is not related to any of the director or senior management of the Company. By virtue of the Securities and Futures Ordinance (the “**SFO**”), Mr. Huang is deemed to be interested in 944,838,000 shares of the Company (the “**Shares**”) held by Times International as at 31 December 2018. For further details, please refer to the section headed “Directors’ and chief executive’ s interests and short positions in Shares, underlying Shares and debentures” in the directors’ report.

Mr. TANG Chengyong (唐承勇先生) ("Mr. Tang"), aged 55, is an executive Director and our executive vice president. Mr. Tang has been a Director since 18 October 2013 and was re-designated as an executive Director on 14 January 2014. He is primarily responsible for the management of operation team of the group including sales, construction and design. Mr. Tang has over 25 years of experience in the real estate industry in the PRC. Mr. Tang joined the Group as the general manager of Yantai Redco Development Co., Ltd. in August 2001, where he was responsible for the daily operation of this company. Mr. Tang was also successively appointed as the general manager of Jiangxi Man Wo Property Development Co., Ltd., Jiangxi Redco Property Development Co., Ltd., Redco Development (Jiangxi) Co., Ltd., Shandong Redco Real Estate Development Co., Ltd. and vice president of Redco (China) Real Estate Co., Ltd. from May 2006 to February 2012, where he was responsible for daily operation of these companies and overseeing various projects. He is also currently a director of many our subsidiaries. Prior to joining the Group, Mr. Tang was employed by Jiangsu Province Supply and Marketing Cooperative Real Estate Development Company (江蘇省供銷社房地產開發公司), a company primarily engaged in property development from March 1993 to August 2001 and his last position was deputy general manager and deputy director of department of economic development. Mr. Tang received a bachelor' s degree in engineering from Shenyang Institute of Architectural Engineering (瀋陽建築工程學院) in the PRC in July 1986.

Independent non-executive Directors

Dr. WONG Yau Kar, David GBS, BBS, JP (黃友嘉博士) ("Dr. Wong"), aged 61, has been an independent non-executive Director since 14 January 2014. Dr. Wong is a member of each of the audit committee of the Company (the "**Audit Committee**") and the Nomination Committee. Dr. Wong received a doctorate degree in Economics from the University of Chicago in 1987. Dr. Wong has extensive experience in manufacturing, direct investment and international trade.

Dr. Wong is active in public service. He is a Hong Kong deputy of the 13th National People' s Congress of the People' s Republic of China (第十三屆全國人民代表大會). He is also the Chairman of the Mandatory Provident Fund Schemes Authority. Dr. Wong was appointed a Justice of Peace (JP) in 2010 and was awarded a Gold Bauhinia Star (GBS) and Bronze Bauhinia Star (BBS) in 2017 and 2012 for his valuable contribution to the society.

Dr. Wong is currently an independent non-executive director of Huayi Tencent Entertainment Company Limtied (Stock code: 419), Shenzhen Investment Limited (Stock code: 604), Sinopec Kantons Holdings Limited (Stock code: 934) and Guangnan (Holdings) Limited (Stock code: 1203). The shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Dr. Wong was an independent non-executive director of Yunfeng Financial Group Limited (Stock Code: 376) during the period from December 2012 to 3 November 2017 and Concord New Energy Group Limited (Stock code: 182) during the period from December 2016 to June 2018.

Mr. CHAU On Ta Yuen (周安達源先生) ("Mr. Chau"), aged 71, has been an independent non-executive Director since 14 January 2014. Mr. Chau is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Chau received a bachelor' s degree in Chinese language and literature from Xiamen University (廈門大學) in August 1968 in the PRC. Mr. Chau is currently a Standing Committee Member of the Thirteenth National Committee of the Chinese People's Political Consultative Conference, and the Eleventh honorary consultant of the Hong Kong Federation of Fujian Association. Mr. Chau was also awarded the Silver Bauhinia Star by the government of Hong Kong Special Administrative Region in July 2016.

Mr. Chau is currently a non-executive director and honorary chairman of China Ocean Shipbuilding Industry Group Limited (Stock code: 651), an executive director and chairman of ELL Enviornmental Holdings Limited (Stock code: 1395), and independent non-executive director of Good Resources Holdings Limited (Stock code: 109), Come Sure Group (Holdings) Limited (Stock code: 794) and independent non-executive director of Hang Pin Living Technology Company Limited (Stock code: 1682). The shares of which are listed on the Main Board of the Stock Exchange.

Mr. YIP Tai Him (葉棣謙先生) ("Mr. Yip"), aged 48, has been an independent non-executive Director since 14 January 2014. Mr. Yip is the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Yip received a bachelor of arts (hons) degree in accountancy from the City Polytechnic of Hong Kong, now known as the City University of Hong Kong in September 1993 in Hong Kong. He has been a practising accountant in Hong Kong since 1999. Mr. Yip was admitted as a member of the Association of Chartered Certified Accountants in the United Kingdom and the Institute of Chartered Accountants in England and Wales in September 1996 and January 2006, respectively. He has approximately 25 years of experience in accounting, auditing and financial management. Mr. Yip is currently an independent non-executive director of the following companies, the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Yip is currently and independent non-executive independent director of China Communication Telecom Service Company Limited (stock code: 8206), GCL-Poly Energy Holdings Limited (Stock code: 3800), Bisu Technology Group International Ltd (Stock code: 1372), Sino Golf Holdings Ltd. (Stock code: 361). The shares of which are listed on the Main Board/GEM board of the Stock Exchange. Mr. Yip was an independent non-executive director of the following companies, the shares of which are listed on the Main Board of the Stock Exchange:

Companies	**Duration**
China Star Cultural Media Group Limited (Stock Code: 8172)	December 2008 to April 2015
Vinco Financial Group Limited	May 2008 to August 2016
New Wisdom Holding Co. Ltd (Stock Code: 8213)	November 2016 to February 2018
Sino Golf Holdings Ltd. (Stock code: 361)	August 2015 to November 2018

Mr. CHOW Kwong Fai, Edward JP (周光暉先生) ("Mr. Chow"), aged 66, has been an independent non-executive Director since 14 January 2014. Mr. Chow is the chairman of the Audit Committee. Mr. Chow received a bachelor's degree in business studies from Middlesex University (formerly known as Middlesex Polytechnic) in the United Kingdom in 1975. Mr. Chow is a fellow and former council member of The Institute of Chartered Accountants in England and Wales and a past president of the Hong Kong Institute of Certified Public Accountants (HKICPA). Before elected president, he chaired the HKICPA's Corporate Governance Committee and Professional Accountants in Business (PAIB) Committee. He was a Deputy Chairman of The Hong Kong Institute of Directors from 2001 to 2008 and the Chairman of the PAIB Committee of the International Federation of Accountants (IFAC) from 2006 to 2008. Mr. Chow is currently a core member of the OECD/World Bank Asian Corporate Governance Roundtable, the Chairman of China Infrastructure Group, a non- executive director of the Urban Renewal Authority, a council and court member of the University of Hong Kong, an Honorary Advisor of the Business and Professionals Federation of Hong Kong. He was also a standing member of the Eleventh Zhejiang Province Committee of the Chinese People's Political Consultative Conference, a member of the Election Committee of the Hong Kong Special Administrative Region and an expert advisor of the Accounting Standards Committee of the Ministry of Finance, the People's Republic of China. Mr. Chow is currently an independent non-executive director of Melco International Development Limited (Stock Code: 200) and China Aircraft Leasing Group Holding Limited (Stock Code: 1848).

Prior to entering the commercial sector, Mr. Chow spent 11 years working for two major accounting firms, Deloitte Haskins & Sells and Price Waterhouse (as they were then known), respecitvely in London and Hong Kong. Mr. Chow was appointed as a Justice of Peace by the Chief Executive of the Hong Kong Special Adminstrative Region in July 2008 and was also an awardee of the Directors of the Year Award 2010 in the non-executive director of listed companies (SEHK — Hang Seng Index Constituents) category, awarded by the Hong Kong Institute of Directors.

Save as disclosed above, none of the Directors has been involved in any of the events described under Rule 13.51(2) (h) to (v) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the year ended 31 December 2018.

Save as disclosed above, none of the Directors have held any directorship in any public company listed in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

Ms. WANG Shuyu (王曙煜女士) ("Ms. Wang"), aged 46, joined the Group in November 2016. She is the Vice Presidents of the Group where she is responsible for the operation, of president office of the Group. Ms. Wang has over 23 years of experience in real estate marketing and corporate operations management. Prior to joining the Group, she worked as the Vice President in charge of brand marketing in China Aoyuan Property Group Limited, a company listed on the Stock Exchange (stock code: 3883) for the period from 2010 to 2015. Previously, she has held various senior positions in China Overseas (stock code: 688), Wanda Group and other different reputable real estate companies, and has accumulated substantial experience in property development and management. Ms. Wang was awarded a diploma in Laws by Hunan University in China in 2004.

Ms. LIANG Wanchan (梁婉嬋女士) ("Ms. Liang"), aged 41, is the Vice President of the Group and the which over see Financial Management Center and the Financing Management Center of the Group where she is responsible for financial, financing and internal control compliance. She has over 15 years of experience in corporate finance and internal auditing. Ms. Liang joined the Group as the chief financial officer of Redco (China) Real Estate Co., Ltd. in November 2010 and she has been responsible for the corporate finance and accounting of the Group. Prior to joining the Group, she had served as assistant director of finance and investment management department of Hopson Development Holdings Limited (合生創展集團有限公 司), a company listed on the Stock Exchange (stock code: 754), from September 2002 to October 2010, during which she was responsible for financial management of the group. Ms. Liang received a bachelor s degree in economics from the Renmin University of China in the PRC in July 2000.

Mr. JIN Rongshan (靳榮山先生) ("Mr. Jin"), aged 46, joined the Group in August 2018 and is the Vice President of the Group, where he is responsible for the Group' s engineering operations, marketing, design, purchasing and cost control. Mr. Jin has over 27 years of experience in real estate operations and engineering management. Prior to joining the Group, he worked for the Country Garden Group, a company listed on the Stock Exchange (stock code: 02007.HK) from February 2012 to August 2018 as Regional Vice President in Guizhou in charge of mega operations. He was previously in charge of the engineering management in several well-known real estate companies such as Agile (stock code: 03383.HK). Mr. Jin obtained a Diploma in Engineering Management from Harbin Institute of Technology (哈爾濱工業大學) in 2009.

Mr. CHEN Pengfei (陳鵬飛先生) ("Mr. Chen"), aged 38, joined the Group in April 2016. He is the Assistant Presidents of the group and the General Manager of the Cost Management Center of the Group where he is responsible for the Group's cost management and tender procurement management. He also assists in managing some affairs in Operations Management Center. Mr. Chen has accumulated over 15 years of experience in cost management and tender procurement management area. Prior to joining the Group, he served as the General Manager of Cost Management Center of Shenzhen Yitian Group* (深圳市益田集團) where he was responsible for the cost management and tender procurement of the whole group, and has accumulated extensive management experience in cost management as well as tender procurement. Mr. Chen received a Bachelor's degree in Management from Sichuan University in 2003.

Mr. AI Yongtian (艾 詠 天 先 生) ("Mr. Ai"), aged 46, joined the Group in February 2019 and is the Assistant President of the Group, where he is responsible for investment. Prior to joining the Group, he worked as senior executive in Shanghai Forte Land Group, Yango Group, Zhongliang Holdings Group and several other well-known large-scale real estate companies in PRC. He has extensive industry experience in real estate management, risk control and investment, particularly specialized in mergers, acquisitions and business restructuring. Mr. Ai obtained a bachelor' s degree in law from Peking University (北京大學) in 1997.

* *for identification purpose only.*

Mr. WANG Zhibin (汪智斌先生) ("Mr. Wang"), aged 32, is the General Manager of the financing management center of the Group and Assistant to the President, where he is responsible for financing management of the Group. Mr. Wang has over 10 years of experience in corporate financing and auditing. Mr. Wang joined the Group in September 2017. Prior to joining the Group, he was in charge of the corporate real estate funding and capital management of several real estate developers listed on the Stock Exchange, and has extensive industrial management experience in real estate financing and capital management. Mr. Wang obtained a master's degree in business administration and bachelor's degree in applied mathematics from Hong Kong University of Science and Technology and Sun Yat-sen University (中山大學) in 2017 and 2008 respectively.

Mr. LI Huiyong (李輝勇先生) ("Mr. Li"), aged 37, joined the Group in August 2013 and is the general manager of the Investment Development Center. Mr. Li has over 10 years of experience in real estate investment development. Prior to joining the Group, he worked for Logan Property, a Shenzhen company listed on the Stock Exchange (stock code: 03380.HK), from October 2009 to August 2013, acted as the general manager of investment development center and was in charge of projects development in Chengdu, Chongqing and other southwestern regions as well as Zhuhai and Zhongshan. Mr. Li obtained a bachelor's degree in engineering management from Harbin University of Commerce (哈爾濱商業大學) in 2007 and a master's degree in real estate investment in technical economics and management from Dongbei University of Finance and Economics (東北財經大學) in 2009.

Ms. PAN Yuxia (潘玉霞女士) ("Ms. Pan"), aged 51, joined the Group in 2006. She is the deputy general manager of the Redco Nanchang Company* (力高南昌公司). Ms. Pan has extensive experience in business operation management and investment development. She is currently responsible for the operation management affairs of the hotel business section of the Group. She also assists in the Group's land development expansion affairs. Prior to joining the Group, Ms. Pan served as the department manager of nonferrous metal department of Jiangxi Provincial Metals and Minerals Import and Export Corporation from September 1989 to December 2005, where she is responsible for import and export business of nonferrous metals. Ms. Pan received a Bachelor's Degree in Economics from Jiangxi University of Finance and Economics in PRC in 1989 and a Master's Degree in Business Administration from Hebei University of Technology in PRC in January 2007.

Company Secretary

Mr. CHAN Hing Chau (陳慶疇先生) ("Mr. Chan"), aged 39, has been our company secretary since 28 October 2013. Mr. Chan is the authorised representative of the Company and the general manager of Hong Kong Office of the Group. Mr. Chan joined the Group as the general manger of finance department of Redco Holdings (Hong Kong) Co., Limited in March 2013. Prior to joining the Group, Mr. Chan was with PricewaterhouseCoopers from December 2004 to March 2013, during which he was promoted to a manager of assurance department. Mr. Chan obtained his bachelor's degree of arts in accountancy and master degree of Corporate Governance from The Hong Kong Polytechnic University in November 2004 and September 2018 in Hong Kong. He was also qualified as a member of Hong Kong Institute of Certified Public Accountants in July 2008.

* *for identification purpose only.*

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2018 (the "**Review Period**").

Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting the Group's businesses in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of its Shareholders.

(A) CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as its own code to govern its corporate governance practices. The Company has been conducting its business according to the principles of the CG Code set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018.

During the year ended 31 December 2018, the Company has complied with the code provisions of the CG Code.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining and improving a high standard of corporate governance practices.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to a specific enquiry made by the Company, all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2018.

(C) DIRECTORS

Board Composition

The Board currently consists of seven Directors, comprising three executive Directors and four independent non-executive Directors. As at the date hereof, the composition of the Board is set out as follows:

Executive Directors

Mr. Wong Yeuk Hung
Mr. Huang Ruoqing
Mr. Tang Chengyong

Independent non-executive Directors

Dr. Wong Yau Kar, David GBS, BBS, JP
Mr. Chau On Ta Yuen SBS, BBS
Mr. Yip Tai Him
Mr. Chow Kwong Fai, Edward, JP

The biographical information of the Directors and the relationships between the members of the Board are set out and disclosed in the section headed "Directors and Senior Management Profiles" of this annual report.

Roles and Responsibilities

The Board is responsible for determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association. 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.

Directors must dedicate sufficient time and attention to the Group's affairs. Besides, the Company also requested all Directors to disclose to the Company annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

Attendance Records of the Directors

At the Board meetings, the Directors discussed and formulated overall strategies for the Company, discussed and approved the financial budgets, annual results, dividends and other significant transactions of the Group. Issues relating to the daily management and operations of the Group have been delegated to the management of the Group.

Notices of Board meetings were given to all Directors at least 14 days prior to the meetings and all Directors are entitled to include items which they think fit for discussion in the agenda of the meetings.

Draft and final versions of the minutes of the Board and the committees' meetings were sent to the Directors and the committees' members for their comment and records respectively in a timely manner.

The individual attendance record of each director at the meetings of the Board, the Nomination Committee, Remuneration Committee, Audit Committee and the general meeting of the Company held during the Review Period is set out below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual general meeting held on 9 May 2018
Number of Meetings	4	2	1	1	1
Executive Directors					
Mr. WONG Yeuk Hung	4/4	N/A	N/A	N/A	1/1
Mr. HUANG Ruoqing	4/4	N/A	1/1	1/1	1/1
Mr. TANG Chengyong	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Director					
Dr. WONG Yau Kar, David BBS, JP	4/4	2/2	1/1	N/A	1/1
Mr. CHAU On Ta Yuen	3/4	2/2	1/1	1/1	1/1
Mr. YIP Tai Him	4/4	2/2	N/A	1/1	1/1
Mr. CHOW Kwong Fai, Edward JP	4/4	2/2	N/A	N/A	1/1

Apart from the regular Board meeting, Mr. Wong Yeuk Hung, the Chairman of the Company, also held one meeting with the independent non-executive Directors without other executive Directors present during the year ended 31 December 2018.

Independence of the independent non-executive Directors

During the year ended 31 December 2018, in compliance with the requirement of Rule 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors in the Board, representing more than half of the Board, with two of them possessing appropriate professional qualifications or accounting or related financial management expertise. Based on the foregoing, the Board considers that the balance between executive Directors and independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of Shareholders and the Group as a whole.

The Company has received from each of the independent non-executive Directors a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors independent. The Board believes that there is a strong independent element in the Board to safeguard the interest of Shareholders.

All Directors, including independent non-executive Directors, are clearly identified in all corporate communications of the Company. A list of Directors is available on the websites of the Company and the Stock Exchange and will be updated, where necessary.

Induction and Development

Directors must keep abreast of their collective responsibilities. All Directors received an induction package covering the regulatory obligations of a director of a listed company. The Company also plans to provide briefings and other training to develop and refresh the Directors' knowledge and skills. The Company shall provide (a) the Directors the update on the material changes to the Listing Rules and other applicable regulatory requirements; and (b) the employees of the Group abreast of updates in the anti-bribery laws and regulations. The Directors shall participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Circulars and guidance notes may be issued to Directors and senior management of the Company where appropriate, to ensure awareness of best corporate governance practices.

The Company has put in place an on-going training and professional development programme for Directors. During the year ended 31 December 2018, all Directors received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. All Directors provided the Company with their respective training records pursuant to the CG Code.

(D) ELECTION OF DIRECTORS

Each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of three years with effect from 30 January 2017. Whereas, Mr. Wong Yeuk Hung entered into a service contract with the Company under which they agreed to act as executive Director for an initial term of three years commencing from March 2017 and Mr. Huang Ruoqing and Mr. Tang Cheng Yong entered into a service contract with the Company under which they agreed to act as executive Directors for three years commencing from January 2017.

Code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Three Directors will retire, and being qualified, have offered to be re-elected at the annual general meeting of the Company to be held on Friday, 21 June 2019 (the "**Annual General Meeting**").

(E) BOARD COMMITTEES

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

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

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

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

d) to develop, review and monitor the code of conduct applicable to Directors, senior management and employees of the Company; and

e) to review the Company's compliance with the CG Code and disclosure in this report.

During the year ended 31 December 2018, the Board 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 the Company's compliance with the CG Code and disclosure in 2018 corporate governance report of the Company.

In compliance with the CG Code, the Company established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Those committees perform their distinct roles in accordance with their respective terms of reference which are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company established an Audit Committee on 14 January 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. As at the date hereof, the Audit Committee consists of four independent non-executive Directors, namely Mr. Chow Kwong Fai, Edward, JP (being the chairman of the Audit Committee who has a professional qualification in accountancy), Mr. Yip Tai Him, Dr. Wong Yau Kar, David GBS, BBS, JP and Mr. Chau On Ta Yuen SBS, BBS. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal control systems of the Group, to oversee the audit process, to develop and review the policies of the Group and to perform other duties and responsibilities as assigned by the Board. In particular, the Audit Committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

During the year ended 31 December 2018, two meetings of the Audit Committee were held to review annual results and report for the year ended 31 December 2017, interim financial results and report for the six months ended 30 June 2018, appointment of external auditors, the internal control of the Group and the amendments to the terms of reference of the Audit Committee in accordance with the amendments to Appendix 14 of the Listing Rules with effect from 1 January 2018. The external auditors attended the meetings. The attendance records of the Audit Committee are set out in the section headed "Attendance Records of the Directors".

Remuneration Committee

The Company established a Remuneration Committee on 14 January 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the CG Code. The Remuneration Committee consists of three members, being Mr. Yip Tai Him, Mr. Chau On Ta Yuen and Mr. Huang Ruoqing, two of whom are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Yip Tai Him. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding the policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants, if any, pursuant to the Share Option Scheme.

There is one meeting of the Remuneration Committee held during the year ended 31 December 2018 to review and make recommendations to the Board on the existing remuneration packages of all Directors and senior management. The attendance records of the Remuneration Committee are set out in the section headed "Attendance Records of the Directors".

The remuneration of senior management of the Company was within the following bands:

	Number of individuals	
The emolument bands (in RMB)	2017	**2018**
0-1,000,000	10	**6**
1,000,001-2,000,000	3	**5**
2,000,001-5,000,000	0	**3**

Nomination Committee

The Company established a Nomination Committee on 14 January 2014 with written terms of reference. The Nomination Committee consists of three members, being Mr. Huang Ruoqing, Mr. Wong Yau Kar, David BBS, JP and Mr. Chau On Ta Yuen. Two of the members are the independent non-executive Directors. The Nomination Committee is chaired by Mr. Huang Ruoqing. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

There is one meeting of the Nomination Committee held during the year ended 31 December 2018 to assess the independence of independent non-executive Directors and review the re-appointment of Directors at the annual general meeting held on 28 March 2018. The attendance records of the Nomination Committee are set out in the section headed "Attendance Records of the Directors".

Further, the board diversity policy (the "**Policy**") was adopted by the Company on 28 January 2014. The purpose of the Policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee shall review the policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

Nomination Policy

When considering candidates for the nomination and appointment as Directors, the Nomination Committee aims to:

- ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- there will be continuity and appropriate leadership at Board level.

The nomination and appointment process is carried out strictly in accordance with the nomination committee's terms of reference, the articles of association of the Company and all applicable rules and regulations.

In evaluating and selecting any candidate for directorship, the following factors would be considered:

- 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 with reference to the Diversity Policy of the Board.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Notwithstanding that the Board has delegated its responsibilities and authority for selection and appointment of directors of the Company to the Nomination Committee of the Company, the ultimate responsibility for selection and appointment of directors of the Company rests with the entire Board.

Diversity Policy

The diversity policy of the Company aims to set out the approach to achieve diversity of the Board. The Board recognizes and embraces the benefits of having a diversity of the Board to enhance the quality of the Board performance.

With a view to achieving a sustainable and balanced development, the Company considers increase diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. In designing the Board's composition, the Board will take into account a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board members' appointments will be based on the principles laid down in this Policy, and candidates will be considered against the aforesaid objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates to be a Board member will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Dividend Policy

The Company has adopted a dividend policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to Shareholders' approval.

The declaration of dividends by the Company is also subject to any restrictions under the Cayman Islands Companies Law, the Articles of Association of the Company and any applicable laws, rules and regulations.

In determining payment of dividends, the Company shall share its profits with Shareholders while maintaining adequate reserves for meeting its future growth, with a view to declaring dividends higher than the industrial average level and achieving a stable and better return for the Shareholders.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

On 28 January 2014, the Board discussed the above measurable objectives, including but not limited to skills, knowledge, professional experience and cultural and educational background, and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company.

(F) AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced and clear assessment of the Group's performance and prospects. The Directors acknowledged their responsibility for preparing the accounts 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 basis.

A statement by the auditor of the Company in respect of their reporting responsibilities on the financial statements of the Group is set out in the independent auditor' report from page 71 to page 75.

The remuneration paid to PricewaterhouseCoopers, the Company's auditor for the year ended 31 December 2018 amounted to RMB4,564,000 in respect of the audit and interim review service and RMB779,000 for non-audit services during the year under review.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

(G) RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate risks of failure to achieve the business objectives of the Group and to only provide reasonable and not absolute assurance against material misstatement or loss.

During the 2018 reporting period, the Board supervised the management's design, implementation and monitoring of the risk management and internal control systems, and reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis; such review covered all major control aspects of the Group, including financial, operational and compliance controls.

The Group's risk management and internal control systems covered each operation department, to ensure that the Group could effectively manage the key factors that might affect the Group in achieving its strategic objectives, such factors including events, accidents or behaviors with a material impact on the Group's reputation, assets, capital, profit or liquidity.

The Company has established three layers structure for risk management. In the risk governance structure, the first layer consists of the business departments of project company and responsible individuals, with the Group's business and functional centers serving as the second layer and the internal audit team as the final layer. The first layer bears risks and responsible for the direct responsibility for risk management and it identifies, measures and controls the risks in respective business fields and operating activities. The second layer formulates rules and standards as business guidance to subsidiaries/business units, and supervises their execution to ensure that risk management takes place for the Group, with continuous control of relevant work. The third layer is responsible for monitoring, with an emphasis on providing independent monitoring over the effectiveness of the Group's risk solutions and measures by combining the monitoring over the risk management and internal control systems.

In accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules, the Group shall disclose to the public any insider information as soon as possible after such information comes to the attention of the Group, unless such information is within the scope under any safe harbours provision in the Securities and Futures Ordinance. The Group will ensure such information will be kept confidential before it is fully announced to the public. If the Group considers that the confidentiality required cannot be kept, or such information may have leaked already, such information will be disclosed to the public immediately. We also endeavour to ensure that the information contained in the announcement shall not be deceptive or misleading in all material aspects, and there are no other material matters the omission of which would make the information contained therein to be deceptive or misleading, such that the insider information disclosed can be made available to the public in an equal, timely and effective manner. In addition, if there occurs any significant risk events, the related information will be disclosed to appropriate authorities and personnel, so that appropriate decisions and measures can be made and implemented by the Group to deal with such risk events. Meanwhile, in order to further develop the risks management culture of the enterprise, as well as to enhance the risk awareness of our staff, the Group has already rolled out training programs to enhance the risk awareness of our staff, so that we can assure to maintain the balance between business expansion and risks management in our operation.

The Group's internal audit team plays an important role in monitoring the internal governance of the Company. The team mainly monitors and reviews the matters relating to the internal control and compliance of the Company, and provides regular risk-oriented internal audits for its branches and subsidiaries. The internal audits cover project obtainment, procurement tendering, sales, financial reporting and information security and so on. The internal audit team reports to the Board twice a year. The Board, through the Audit Committee, has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee has received a report of risk management and internal control prepared by the internal audit team, and has considered that the risk management and internal control systems remain adequate and effective throughout the year ended 31 December 2018 with no material issues to be brought to the Board's attention.

(H) COMPANY SECRETARY

The Company appointed Mr. Chan Hing Chau as its company secretary. Mr. Chan has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training. The biographical details of Mr. Chan are set out on page 24 of this annual report.

Mr. Chan is an employee of the Company. He is also the General Manager of Redco Holdings (Hong Kong) Co., Limited which is the wholly-owned subsidiary of the Company.

(I) SHAREHOLDERS' RIGHT

Procedures for Shareholders to convene an extraordinary general meeting

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the extraordinary general meeting.
- Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at the extraordinary general meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of each Eligible Shareholder will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an extraordinary general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the extraordinary general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an extraordinary general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the extraordinary general meeting.
- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board

Shareholders may put forward their written enquiries to the Board. In this regard, Shareholders may send those enquiries or requests as mentioned to the following:

Address:	Room 2001-2, Enterprise Square 3 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong
Fax:	(852) 2758 8392
Telephone:	(852) 2331 2839

Procedures for putting forward proposals at general meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, Shareholders who wish to propose resolutions may follow Article 64 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out in the section headed "Procedures for Shareholders to convene an extraordinary general meeting" in this report.

(J) INVESTOR RELATIONS

The management of the Company believes that effective and proper investor relations play a vital role in creating Shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal control system to ensure true, accurate and complete disclosure of information. The management of the Company has proactively taken and will continue to take the following measures to ensure effective Shareholders' communication and transparency:

- the President of the Company, the respective chairmen of Audit Committee, Remuneration Committee, Nomination Committee, or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries;
- regularly update the Company's news and developments of the Company's website;
- arrange on-site visits to the Group's projects for potential investors and research analysts.

Through the above measures, the Company endeavors to communicate with the investment community and provide them with the latest development of the Group and the PRC real estate industry. The Company will disclose information in compliance with the Listing Rules, and publish periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

There was no significant change in the Company's constitutional documents during the year ended 31 December 2018. Should there be such significant changes in the constitutional documents, the Company shall upload the revised version onto the websites of the Stock Exchange and the Company in due course.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONCEPT AND PRINCIPLE

This Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") covers the ESG matters of Redco Properties Group Limited (stock code: 01622) and together with its subsidiaries for the year ended 31 December 2018.

The ESG Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group' s beliefs

The Group believes that a successful enterprise should not maximise profits at all costs, but should endeavour to balance stakeholder' s interests and social responsibility for maintaining an enterprise' s sustainable development. The Group strives to lower carbon footprints and strictly complies with relevant environmental laws and regulations. The Group aims to achieve such balance and fulfill social responsibility along with its mission of "Signature architecture with tremendous honour".

Any effort starts at home. In June 2018, the Group relocated its headquarters to Redco Building located in Nanshan District, Shenzhen, People' s Republic of China. The new headquarters is furnished with up-to- date energy efficient equipment including for example LED lighting systems, thermostat controlled and energy efficient air conditioning. While improving the Group' s environmental performance, the arrangements also improves the working environment for its employees and save costs for the Group.

Overview

As a property developer focusing on mid-to-high-end residential and commercial property development in the PRC, the Group is committed to being a responsible social enterprise. The Group is subject to various environmental laws and regulations set by the PRC at the national, provincial and municipal levels. These include regulations on pollution (including air, sound and water pollution) and discharge of construction waste and sewage. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations.

For the year ended 31 December 2018, the Group has complied with all the relevant laws and regulations that have significant impact on the operations of the Group. The Group has various measures and policies in place, as discussed in further details in the following sections of this Report. In addition, the Group also provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. Adequate and ongoing trainings, development and resources are provided to the employees of the Group so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and job satisfaction. The Group keeps up to date with the changes in applicable laws, rules and regulations.

The Group believes that its employees, customers, supplier and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The preparation of the ESG Report involved the participation of the Group' s key stakeholders, including the management and relevant staff who jointly assessed the importance of the relevant ESG matters for the purposes of understanding the expectations and propositions from various stakeholders of the Group and provided all relevant ESG information.

Source of information

The figures and data in this Report were derived from the Group's archived documents, records, and surveys in relation to the core and significant projects of the Group's operation and property development business covering material matters and key performance indicators in relation to environmental management, social responsibility and governance. The Group's efforts devoted to the implementations of the measures disclosed in this report demonstrate its commitment and determination to become a socially responsible corporate.

Feedback

If you have any feedback for the Report, please feel free to contact us by email at ir@redco.cn.

ABOUT THE GROUP

The Group is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC. The Group has been upholding the operating philosophy of signature architecture with tremendous honour (精端著造、傳世榮耀) and has executed its multi-regional strategy through its sound and pragmatic approach to business, the forward-looking plans for strategic investment, quality products and operational efficiency.

1. ENVIRONMENTAL

Construction work during the Group's property development projects inevitably produce emissions, including exhaust, sewage and construction wastes. The Group's emissions include mainly greenhouse gas (carbon dioxide and the equivalent), nitrogen oxides, sulphur oxides and particulates). The Group also disposes waste materials during the construction process. The Group believes that the increase of the efficiency and effectiveness of its construction process would significantly reduce the raw materials waste and use of energy.

The Group is committed to reducing carbon foot print and energy consumption. It has implemented both internal and external environmental protection policies to minimise the impact of business activities on the environment, and support environmental-protection initiatives, including:

i. Externally at building sites for property developments, (i) diesel generators are not preferred, under the same or similar conditions, power from electricity supplier is preferred as it is expected that the electricity supplier's power generation system is more efficient and is more adapted to reducing carbon emissions than traditional onsite diesel generators; (ii) idle machines are switched off to reduce unnecessary fuel consumption and to reduce air pollutants; (iii) prior to commencement of a construction project, the Group would assess and predict the amount of emissions to be generated, and formulate an optimal plan to effectively manage emissions and production; (iv) during the construction stage, emission and waste are monitored to ensure that they do not exceed any statutory applicable limits; and (v) in certain of the Group's projects, roof space will be filled with greenery and/or solar panels.

ii. Internally at the office, (i) staff members are constantly reminded to turn off the air conditioning, lights of the office area before leaving work every day and check, from time to time, whether the lights and equipment in the common areas are turned off when not in use; (ii) after completing their tasks for the day, staff members are reminded to turn off their computers and monitors; (iii) employees are encouraged to use duplex printing to minimize paper consumption; (iv) trays are placed next to photocopiers for collecting single-sided paper for reusing purposes; (v) envelopes are also reused for internal mails; and (vi) air conditioning thermostat is set at 25 degree Celsius.

The Group will continue to review the environmental impact of their operations, remain alert to the latest environmental friendly machinery and make use of best practices, records and monitors resources consumption data and implementing better performance strategies as to enhance the contributions to environmental sustainability through good environmental practices.

The Group is subject to a number of laws and regulations in China in relation to environmental protection, impact to the environment, noise pollution and environmental protection for development projects, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), and the Law of People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》).

For the year ended 31 December 2018, the Group was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

Greenhouse gas and other air pollutants

The following table sets out the greenhouse gas and other air pollutants emitted during the year:

Emission Type	Unit	Amount
Greenhouse gas (carbon dioxide equivalent)	kg	67.35
Nitrogen oxide	Kg	51,524.85
Sulphur oxide	Kg	19,067.00
Particulates	kg	81,025.35

By implementing the policies set out above, the Group achieved a reduction of the emission more than 3%, compared to last year.

Waste

The following table sets out the waste produced during the year:

Waste type	Unit	Amount
Hazardous waste	kg	0
Non-hazardous waste	Kg	562,780

Waste includes building debris, asphalt, wood, earth and metal scraps.

Waste is unavoidable due to the nature of the business of the Group, the Group works closely with contractors and construction workers to carry out various measures to reduce waste, including the separation and recycling of construction waste including steel, glass, paper waste and concrete blocks. The Group will carefully analyse their construction plans before work commencement to reduce the need for refits or demolitions which creates substantial amount of industrial waste.

2. USE OF RESOURCES

In 2018, the Group continued to implement measures to reduce energy usage and to conserve resources.

Energy consumption

The policies set out in the paragraph headed under section headed **"1. Environmental"** above are also targeted towards energy and resources conservation internally at the Group' s headquarters and during the construction process. In addition, in the construction and design of the Group' s projects, the Group pays attention to energy conservation by adopting designs that utilises natural lighting and ventilation. LED lightening are installed in most of the projects of the Group during the year.

The following table sets out the energy consumption of the Group:

Energy	Unit	Consumption	Density (per unit by gross area)
Electricity	kWh	6,371,569	0.63

The Group reduced more than 3% of the electricity density as compared to the previous year.

Water consumption

Water is required for project constructions and in the everyday use of office space.

In compliance with relevant environmental laws, all the construction sites of the Group' s projects are equipped with sewage clarifiers, construction wastewater, rainwater and other domestic sewage are drawn into the clarifiers for filtration. Filtered water is then recycled for vehicle cleaning and dust removal. Pipes are inspected and maintained regularly to ensure no leakage. There was no issue with sourcing water that is fit for construction.

Although the Group cannot have automated control of water usage in the office premises, the Group constantly reminds its staff on water conservation, including reducing unnecessary wastage in the pantries and toilets.

For the year ended 31 December 2018, the Group utilised 184,266 cubic metres of water.

3. ENVIRONMENT AND NATURAL RESOURCES

The Group is a property developer. The Group recognises that for each step of construction in the ordinary course of business, the Group' s activities will have an impact on the surrounding environment and community. The nature of the Group' s business reuiqres the use of raw materials including cement, steel, ceramic tiles, glass panel and paint. Throughout the construction process, the Group will use electricity or other form of energy sources. Furthermore, the Group must also manage the waste and by-product (including emissions and sewage) arising from the construction process.

The Group does not consume packaging materials in its course of business, disclosure for packaging materials does not apply.

While all of the abovementioned must be carried out in compliance with the relevant laws and regulations in China, the Group attempts to include environmental protection to every process of its production chain to limit its impact on the environment and natural resources. The Group, on one hand, tries to keep up- to- date with its construction process by utilising modern technology and construction which is believed to increase efficiency as well as reducing carbon foot- print, while on the other hand, the Group implements various policies as described under the sections headed "**1. ENVIRONMENTAL**" and "**2. USE OF RESOURCES**" to minimise water usage, reduce emissions and waste.

4. EMPLOYMENT AND LABOUR PRACTICES

The Group recognises the importance of offering fair, impartial and open opportunities for recruiting and also retaining talents.

The Group has implemented and adheres to its employment guidelines to prevent employment discrimination on the grounds of age, nationality, race, religion, sexual orientation, gender, marital status, or political stance.

Recruitment personnel is provided with recruitment and selection training courses to align recruitment process with the Group' s standards.

Apart from lawful employment contract, the Group protects employee benefits by practicing standard working hours. The Group offers paid leaves, social insurance and provident fund as basic protections. In addition, recognizing women' s legal rights, the Group ensures female employees are not only entitled to applying maternity leave, breast-feeding leave and annual gynecological examination, but also provided with the safety and protection scheme for women workers. With respect to gender diversity, as at 31 December 2018, the Group has a total of 950 employees, comprising 58.2% of male employees and 41.8% of female employees.

For the year ended 31 December 2018, the Group was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

5. HEALTH AND SAFETY

The Group strives to enhance the Group' s safety performance and ensures that all employees are provided with a safe working environment. The Group' s administration and management center performs compliance assessment and black spot monitoring while appointing an external technical advisory body to provide professional advice to the Company on the environment, health and safety (EHS) policies.

To ensure compliance with the relevant guidelines on occupational health and safety, the Group' s administration and management center requires its subsidiaries to submit feedback reports regularly, and analyzes and evaluates their health and safety performances under the occupational safety assessment mechanism of the Group. Meanwhile, the Group performs targeted inspections to oversee implementation of the regulations among its subsidiaries.

In addition to occupational health and safety, the Group cares about the mental health wellbeing of its employees, it encourages and supports employees to achieve work-family balance. The Group holds various family activities annually and provide health checking to each staff annually.

Staff meetings are thus held frequently to facilitate problem solving and communication for staff at all levels.

The Group has set up production safety committee and special internal safety working groups to conduct regular safety inspections for improving the Company' s safe working conditions. The Group protects employee wellness through upgrades such as installing dust removal and noise reduction equipment. In respect of safety training, the Group holds safety management training programs every six months to improve workplace safety awareness.

The Group also capitalizes on technology to cope with potential hazards and guarantee occupational safety. For construction, the Group adopts prefabrication residential construction techniques and uses pre-assembled external walls instead of in-site scaffolding and formwork to save manpower and time for aerial work significantly, which reduce staff' s exposure to risk of work and enhance construction safety.

For the year ended 31 December 2018, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.

6. DEVELOPMENT AND TRAINING

The Group aspires to reach higher by growing and training its talents to accelerate business development.

New hires are provided with induction training since the first day of work to internalize the corporate culture including executive, administration and management and personnel management practices.

Regular management meetings are also arranged by the Company's management for new recruits to express their views of working. The Group has launched various programs for in-service employees monthly to raise management skills and expertise via internal sharing, public lecture, and external meeting. For example, the Company provides training courses regarding the psychology of selling and sales team management for its sales staff during the year to help them improve their performance.

The Group places strong emphasis on staff development. The Group has established a Redco College which organizes structured training programmes for all the staff to familiarise with Redco's culture and the industry, and regular training are also provided to update knowledge of its staff from time to time.

In 2018, the Company provided more than 3.5 training hours per employee. Along with the development of the Group and realizing training demands of staff, the Group continually offers, reviews and improves training courses to keep team performance abreast of the Group's business development.

7. LABOUR STANDARDS

The Group considers it utmost important to strictly abide by the requirements of National Labour Law (國家勞動法), prohibiting the recruitment of child labour and forced labour. Such restrictions are incorporated into the Group's recruitment manual in the election process, and includes for example requirements to reach the legal age and to enter into labour contract before work commences. Identification documents of the applicants are required to make sure all potential hires are legal, and to avoid any instances of child labour or forced labour.

For the year ended 31 December 2018, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.

8. SUPPLY CHAIN MANAGEMENT

The Group's supply chain structure is simple and clear. It conducts supplier visits and sourcing processes to select suppliers. Eligible suppliers are registered in the Group's database and categorized into two groups: the "Recognized suppliers" or the "High performer suppliers".

Through an internal shortlist mechanism, the "Recognized suppliers" that displays excellent performance will be promoted to become the "High performer suppliers" that can enjoy more collaboration opportunities with the Group. Partnership with unqualified suppliers will be terminated to ensure supplier quality in the database.

The supplier selection and management are undertaken by subsidiaries in the corresponding cities.

The Company has engaged suppliers with an aim to also ensure environmental protection. To improve operating practices of the suppliers, they are required to reduce construction waste, comply with energy conservation regulations, and save electricity and gas. Suppliers are required to conform to relevant environmental laws and regulations, including local environmental management practices and dust pollution management regulations for each project. Non-compliant suppliers will be fined for breach of regulations.

The Company has its own supervisory unit, which holds regular supplier meetings to ensure positive interaction and collect opinions and complaints of the suppliers to ensure that the Company can respond to any potential non- compliance in a timely manner.

9. PRODUCT RESPONSIBILITY

The Group constructs residential premises with an aim to create a comfortable home and harmony in communities.

The Group strives to ensure property safety, in expectation of improving residents' quality of life through providing preeminent houses and thereby contributing to the community's harmony. The Group strictly complies with national laws including "Contract Law of the People's Republic of China" and "Construction Law of the People's Republic of China", and regulations on construction and acceptance such as the "Regulations on the Quality Management of Construction Projects" to prevent mistakes and defects.

For proper implementation of the relevant regulations, the Company makes sure that the relevant construction requirements are met by carrying out regular on-site inspection with a third-party construction supervision institution. The Group also conducts construction assessments in terms of safety, construction quality and project management performance on a quarterly basis to ensure compliance with local safety standards.

In the marketing process, the Group complies with laws and regulations such as the "Regulatory Measures on the Sale of Commercial Houses" and "Provisions on the Release of Real Estate Advertisements" in order to provide customers with true and accurate property information. Meanwhile, the Group adhere to the "Notice on Issuing the Model Commercial Housing Sales Contract" and other laws and regulations to provide clients with standardized sales contracts and protect their interests.

For the year ended 31 December 2018, the Group was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

"Knowing our client" is the Group's starting point to build a graceful community. The Group has comprehensive complaint handling procedures, "customer relationship management" (CRM) system and the Group's complaint and risk reporting systems to facilitate customer feedback.

Upon receiving complaints, customer service officers and property agents on site will handle the complaints through the CRM system that visualizes sales processes. Through inter-departmental collaboration and proactive communication, the Group resolves complaints effectively to bring satisfactory services to the Group's customers. To gather a wider range of resident feedbacks and accordingly improve service quality, the Group has established three channels, which make these reviews more easily communicated to the Company's management:

1. District customer service center – immediate complaint directly handled by property managers; and

2. Online reporting form – soliciting customers' feedback around the clock and directly reporting to the back-end system of the Company;

The Group will continue to upgrade its service management system and improve the privacy protection policy to safeguard the interests of its clients.

10. ANTI-CORRUPTION

As at 31 December 2018, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.

Integrity is a key element that drives steady growth. To prevent corruption, the Group establishes clear regulations and procedures for corporate management and supervision while ensuring employees' comprehension of work duties. Also, the Group sets up an inspection department and assign project inspectors to implement ethical management for each project and department.

The Group fully complies with national laws and regulations and prohibits staff from bribing any person, namely civil servants, government officials, or connected persons. Staff members are also forbidden from embezzlement, theft, concealment, or misapplication of the Company's assets. When becoming aware of suspected corrupt conduct, the Group carries out internal investigation and take disciplinary actions against the staff concerned, including duty suspension and contract termination. If the case involves violation of national laws, offender will be taken to the concerned departments.

The Group's suppliers have signed binding agreement on integrity to ensure corruption-free operating practices of suppliers and prevent bribery and conspiracy. The Group has set up a report and reward system for supplier, employees and other stakeholders for whistle blowing of malpractice. Reports are handled by the risk management department and then scrutinized by the internal audit department. The Group will improve the anti-corruption system and step up supervision to support its plan of sustainable development. During 2018, no corruption cases were filed against any member of the Group.

11. COMMUNITY INVESTMENT

Supporting education and building a more productive community are the main focus of the Group's community investment strategy and the donations made by Redco Charity Foundation, the charity fund established by the Group. In 2018, the Group donated RMB1,130,000 to Tianjin Redco Charity Organisation (天津力高慈善基金會) and some other foundation Chinese Foundation for Lifeline Express (中華健康快車基金會).

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in the property development business in the People's Republic of China. During the year, there were no significant changes in the nature of the Group's principal activities.

The activities of the subsidiaries of the Company are set out in Note 13a to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in Note 5 to the consolidated financial statements.

BUSINESS OVERVIEW

Overview

In 2018, the Group responded to market changes, adopted a proactive investment strategy, improved product construction capabilities and marketing capabilities, and achieved good sales performance, showing a strong and healthy development trend.

The contracted sales of the Group and its associated entities Companies in 2018 reached approximately RMB21.99 billion, and the contracted sales area was approximately 2.49 million sq.m, representing an increase of 66.6% and 99.7% compared to the corresponding period respectively.

For the years ended 31 December 2017 and 2018, the Group recorded a revenue of RMB6,734.1 million and RMB6,735.9 million respectively. Profit attributable to owners of the Company for the years ended 31 December 2017 and 2018 was RMB862.2 million and RMB990.7 million, respectively. The increase in revenue is mainly attributable to the increase in gross floor area ("**GFA**") delivered and the increase in averege sales price.

The Group has consistently adopted a prudent financial strategy to maintain a reasonable capital structure and gearing level. As at 31 December 2018 and 31 December 2017, the Group's cash and cash equivalents were RMB5,678.9 million and RMB3,587.1 million, respectively, and the net debt to capital ratio was 32.4% and 33.7%, respectively.

Increase reserve of quality land to achieve leap-forward corporate development

Land reserve has become an important competitive power of enterprises. The Group adheres to its urban layout strategy, seised market opportunities during the year and implemented investment strategies efficiently. During the year, we extended our operation into four developing cities, namely Wuhan, Hubei, Ningbo, Zhejiang, Suzhou, Jiangsu and Nantong, Jiangsu. We obtained a number of quality projects and increased our reserve of quality land significantly. As of 31 December 2018, the Group's total land reserve is approximately 10.0 million sq.m.

Established clear development goals and efficient operating system

2018 is the first year of Redco's three-year development plan. The Group has formulated a clear and concrete business strategy, development strategy, product strategy, and Redco's standardised development model, laying a solid foundation for the Group's leap-forward development in the future. Management standards were strengthened during the year, various professional management systems were also improved and upgraded. Leveraging these advancements, an efficient operation management framework is successfully established to enhance the operational efficiency of the Company.

Brand upgrade achieved as corporate reputation enhanced

On the "2018 China real estate brand value study findings press conference" jointly organised by the Enterprise Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy, the Redco Group was honored with two prestigious ranking: "Top 10 Professional Leading Brands in Residential Property Development in the PRC – quality residential property", as well as "Top 10 Professional Leading Brands in Southern China Residential Property Development", and our brand is valued at RMB5.083 billion. Shenzhen UG Property Management Co., Ltd., a subsidiary of the Group, ranked 68th among the "Top 100 Property Management Service Enterprises in the PRC". Royal Family, the Hefei project managed by UG was recognised as a "2018 Five-star Property Service Community in the PRC".

During the year, the Group held a brand launch conference of "Good Life Home (美好生活家)", and communicated the core spirit and clear brand development strategy of "finely creating and enjoying life" to the community, which further enhanced the Company' s reputation. In the future, the accumulation of brand value and influence of the Redco Group will continue to drive the healthy and steady development of the Company.

Vigorous diversified business development

This year, the Group will continue to invest in the real estate sector while expanding its real estate extension business. We officially established the Redco Dynamic Investment Group as part of our rapid diversified business expansion efforts. During the year, the Group has established strategic co-operation with a number of well-known enterprises, such as the Ningbo Institute of Materials Technology and Engineering of the Chinese Academy of Sciences, and continuously instill new energy into the steady development of the Company. Our healthcare takes the construction and operation of community healthcare comprehensive service platform as the entry point, and introduce the high-quality community healthcare management model to the property owners. The model gradually becoming an independent and complete advanced healthcare service business operation model and creating new business value, adding value to our core business.

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 31 December 2018, the Group and its associated entities property portfolio comprised 56 property development and investment projects with an aggregate GFA of 9,996,412.8 square metres under various stages of development remaining unsold in various cities in the PRC. The following table sets forth a summary of our property development and investment projects as at 31 December 2018:

Project	Site area[(1)] *(sq. m.)*	Total GFA[(2)] *(sq. m.)*	Total GFA under various stages of development remaining unsold[(3)] *(sq. m.)*
NANCHANG			
Spain Standard 力高國際城	466,665.3	908,932.6	14,572.8
Riverside International 濱江國際	37,345.7	204,600.6	2,412.5
Bluelake County 瀾湖郡	135,285.0	286,794.7	20,055.3
Riverlake International 濱湖國際	68,373.0	205,846.3	10,262.2
Imperial Mansion 君御華府	41,993.3	109,826.6	8,370.3
Imperial Metropolis 君御都會	84,093.3	227,119.0	42,730.7
Bluelake International 瀾湖國際	47,151.0	177,260.7	8,021.6
Luxurious Royal 瀾湖御景	74,134.0	238,204.2	238,204.2
Royal Family 君御世家	120,984.0	211,117.6	66,338.9
The Garden of Spring 十里春風	30,378.0	15,859.5	13,616.4
Scenery Bay 麗景灣	51,919.0	134,567.6	134,567.6
Delight Scenery 悅景台	62,455.0	122,609.9	122,609.9
YONG Lake Scenic Center 雍湖景畔	132,505.0	412,057.2	412,057.2
Life Sunshine Town 生命陽光城	33,396.4	50,181.8	50,181.8
The Phoenix 鳳凰新天	16,295.0	89,130.0	89,130.0
Golden Mansion 金尊府	92,314.0	174,063.8	174,063.8
Royal City 君譽城	225,296.0	641,918.9	641,918.9

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
GANZHOU			
Fifth Avenue 贛州第五大道	107,814.9	623,500.0	623,500.0
TIANJIN			
Sunshine Coast 陽光海岸	481,394.0	1,475,226.0	1,110,766.5
Land Lot Nos. A1 and A2 A1及A2號地塊	69,336.2	55,469.0	55,469.0
Perfection Ocean 理想海	159,465.9	175,339.6	175,339.6
Luminescence Ocean 拾光海	68,830.4	130,921.7	130,921.7
NINGBO			
Cloud Metropolis 雲都會	132,701.0	412,382.5	412,382.5
JINAN			
Splendid the Legend 盛世名門	51,675.2	205,813.6	—
Bluelake County 瀾湖郡	68,066.0	237,534.7	13,654.0
Royal Family 君御世家	30,682.0	134,732.0	134,732.0
Imperial Mansion 君御華府	44,966.0	109,400.0	33,303.9
Redco Visionary 力高未來城	90,597.3	317,104.4	317,104.4
Redco Visionary II 力高未來城二期	146,203.5	384,636.3	384,636.3
Spring Villa 雍泉府	268,113.0	580,350.0	580,350.0

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
YANTAI			
Sunshine Coast - Phase I 陽光海岸一第一期	51,693.7	186,470.8	103,722.4
Sunshine Coast - Phase II 陽光海岸一第二期	21,371.0	68,241.9	38,813.3
Sunshine Coast - Phase III 陽光海岸一第三期	33,142.0	81,270.1	7,612.8
Sunshine Coast - Phase IV 陽光海岸一第四期	63,411.0	213,770.0	213,770.0
HEFEI			
Mix Kingdom Redco 力高 · 共和城	395,596.4	871,735.3	79,496.4
Prince Royal Family 君御世家	88,025.5	299,699.5	41,277.8
Royal International 君御國際	43,873.0	128,301.1	128,301.1
Bluelake City 瀾湖前城	76,058.8	228,000.0	228,000.0
Royal View City 御景前城	67,931.0	190,794.8	190,794.8
FU YANG			
Funan Huaan City 阜南華安城	165,601.0	375,870.6	375,870.6
Linquan Huaan City 臨泉華安城	299,888.0	833,522.4	833,522.4

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
WUHAN			
Redco Courtyard 雍湖灣	100,411.0	112,217.4	112,217.4
Youthfulness 雍華年	61,450.0	114,470.0	114,470.0
XIANYANG			
Royal City - Phase I 御景灣 - 第一期	69,466.8	237,012.8	14,907.1
Majestic Mansion 天悅華府	88,319.8	171,000.0	171,000.0
Royal Family 君御世家	27,588.1	78,593.0	78,593.0
SHENZHEN			
Royal International 力高君御花園	33,035.3	177,640.0	11,615.2
Xilong 熙瓏山	66,665.0	286,659.0	286,659.0
NANTONG			
Jinhai Mansion 靜海府	56,499.6	101,210.3	101,210.3

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
ZHONGSHAN			
Royal Family 君御世家	30,819.5	95,889.0	95,889.0
Bluelake Landmark 瀾湖峯景	28,112.5	75,414.0	75,414.0
QUAN ZHOU			
Bayview 觀悅灣	18,306.0	57,700.0	57,700.0
SUZHOU			
雲彩基地	10,900.2	106,978.0	106,978.0
LIANYUENGANG			
Yuchau Mansion 郁洲府	85,234.0	314,725.2	314,725.2
MEIZHOU			
Ninjiang New City 寧江新城	42,000.0	136,000.0	136,000.0
AUSTRALIA			
Prime	15,830.0	56,579.0	56,579.0
TOTAL			**9,996,412.8**

1. Information for "site area" is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).

2. "Total GFA" is based on surveying reports, construction works commencement permits and/or construction works planning permits or the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.

3. "Total GFA under various stages of development remaining unsold" include the GFA of the completed projects remaining unsold, GFA of projects under development and the GFA of projects for future development.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2018 increased to RMB6,735.9 million from RMB6,734.1 million for the year ended 31 December 2017. Such increase was primarily attributable to the increase in our GFA delivered for the residential property for Bluelake County and Imperial Mansion in Jinan, Royal Family in Nanchang and Sunshine Coast in Tianjin, and was partially offset by the decrease in the GFA delivered for Mix Kingdom Redco and Prince Royal family in Hefei and Riverlake International in Nanchang. Total GFA delivered increased by 1.2% to 868,680 sq.m for the year ended 31 December 2018 from 858,197 sq. m for the year ended 31 December 2017. The increase in our total revenue was also increased by the recognised average selling price (the "**ASP**") for the properties delivered in the year ended 31 December 2018. The ASP for properties delivered increased to RMB7,430 for the year ended 31 December 2018 from RMB7,370 for the year ended 31 December 2017, representing a 0.8% increase which was primarily due to the increase in GFA delivered in Bluelake County in Jinan and Sunshine Coast in Tianjin which recognised a relatively higher ASP as compared with other property development projects of the Group in 2017.

The following table sets out a breakdown of the Group's revenue, GFA delivered and recognised ASP by geographical segments:

	For the year ended 31 December					
	2018	2017	**2018**	2017	**2018**	2017
	Revenue (RMB'000)		GFA Delivered (sq. m.)		Recognised ASP (RMB per sq. m.)	
Greater Western Taiwan Straits Economic Zone						
– Properties Sales	**1,634,976**	1,693,241	**230,541**	208,859	**7,095**	8,107
– Project management services	**—**	25,914	**—**	—	**—**	—
Central and Western Regions						
– Properties sales	**602,983**	2,731,163	**91,604**	395,956	**6,582**	6,898
Bohai Economic Rim						
– Primary land development	**—**	269,118	**—**	—	**—**	—
– Construction service*	**34,215**	109,324	**—**	—	**—**	—
– Properties sales	**4,177,648**	1,450,841	**546,369**	243,760	**7,709**	5,952
Pearl River Delta Region						
– Properties sales	**3,510**	449,731	**166**	9,622	**21,184**	46,741
Others						
– Project management services	**3,952**	4,735	**—**	—	**—**	—
– Trading of construction materials	**277,946**	—	**—**	—	**—**	—
– Healthcare service	**701**	—	**—**	—	**—**	—
Total	**6,735,931**	6,734,067	**868,680**	858,197	**7,430**	7,370

* *Construction service represents the construction service provided by the Group in Jinan*

A summary of the segment results is set forth below:

- Greater Western Taiwan Straits Economic Zone: segment revenue for the Greater Western Taiwan Straits Economic Zone decreased by 0.3% to RMB1,635.0 million for the year ended 31 December 2018 from RMB1,693.2 million for the year ended 31 December 2017. Such decrease was primarily attributable to the decrease in ASP for the properties delivered for Royal Family in Nanchang and net-off with the increase in GFA delivered in Royal Family in Nanchang.
- Central and Western Regions: segment revenue for the Central and Western Regions decreased significantly by 77.9% to RMB603.0 million for the year ended 31 December 2018 from RMB2,731.2 million for the year ended 31 December 2017. Such decrease was primarily attributable to the decrease in the GFA delivered for Mix Kingdom Redco and Prince Royal Family in Hefei.
- Bohai Economic Rim: segment revenue for the Bohai Economic Rim increased by 187.9% to RMB4,177.6 million for the year ended 31 December 2018 from RMB1,450.8 million for the year ended 31 December 2017. Such increase was primarily due to the increase in the GFA delivered in Bluelake County and Imperial Mansion in Jinan and Sunshine Coast in Tianjin and also the increase in ASP for Bluelake County in Jinan.
- Pearl River Delta Region: segment revenue for the Pearl River Delta Region decreased by 99.2% to RMB3.5 million for the year ended 31 December 2018 compared to RMB449.7 million for the year ended 31 December 2017. Such decrease was mainly due to the decrease in the GFA delivered for Royal International in Shenzhen.
- Others: It mainly represents the trading of construction materials, the rental income and the service income from the project management service.

Cost of sales

Cost of sales decreased by 14.0% to RMB4,348.2 million for the year ended 31 December 2018 from RMB5,057.6 million for the year ended 31 December 2017. Such decrease was primarily due to the decrease in average land acquisition cost per sq. m. delivered to RMB1,114 for the year ended 31 December 2018 from RMB2,173 for the year ended 31 December 2017. Such decrease in average land acquisition cost per sq. m. delivered was primarily due to the decrease in the GFA delivered for Royal International in Shenzhen (being a first-tier city) with a relatively high land acquisition costs and the increase in the GFA delivered for Sunshine Coast in Tianjin with a relatively lower land acquisition costs.

Gross profit

Gross profit increased by 42.4% to RMB2,387.8 million for the year ended 31 December 2018 from RMB1,676.4 million for the year ended 31 December 2017. Our gross profit margin increased to 35.4% for the year ended 31 December 2018 from 24.9% for the year ended 31 December 2017. Such increase was primarily attributable to the increase in ASP from the newly obtained project and increase in GFA delivered for the commercial properties and the lower average land acquisition cost as the decrease in the GFA delivered in Royal International in Shenzhen.

Other gains/(losses), net

Other gains/(losses), net increased to a net gain of RMB248.5 million for the year ended 31 December 2018 from a net loss of RMB15.8 million for the year ended 31 December 2017. Such increase was primarily attributable to the gain from (a) the disposal gain of a commercial properties project company for RMB304.3 million and (b) the realised gain from the US$ forward contract of RMB50.5 million and net-off by exchange losses for RMB126.4 million for the year ended 31 December 2018 which the exchange loss was RMB33.9 million and no gain from disposal of a subsidiary and forward contract in 2017.

Selling and marketing expenses

Selling and marketing expenses decreased by 6.1% to RMB183.5 million for the year ended 31 December 2018 from RMB195.5 million for the year ended 31 December 2017. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales agents. Such decrease was mainly due to the control in the marketing promotion activities expenses for the projects and net-off by the increase in the sales agency fee as there was an increase in the contracted sales.

General and administrative expenses

General and administrative expenses increased by 81.7% to RMB424.2 million for the year ended 31 December 2018 from RMB233.5 million for the year ended 31 December 2017. Such increase was primarily due to the increase in legal expenses, staff cost and office and travelling expenses which due to the increase in the number of projects located in different cities.

Fair value gain on investment properties

The fair value gain on investment properties represents the increase in the value on the commercial portion of the culture park which are under construction in Tianjin and a portion of the Redco Building in Shenzhen which is held to earn rental income. The fair value gain decreased by 76.6% to RMB84.2 million for the year ended 31 December 2018 from RMB359.0 million for the year ended 31 December 2017. Such decrease mainly due to the first year for Tianjin culture park transferred to the investment property in 2017, therefore, the fair value gain was smaller for the year ended 31 December 2018.

Impairment of goodwill

No impairment of goodwill for the year ended 31 December 2018. The impairment of goodwill amounting to RMB49.5 million for the year ended 31 December 2017 mainly represents certain premium paid in connection with our acquisition of an 80% equity interest in Changfeng Lianhua Real Estate Co., Ltd. ("**Changfeng**"), which holds Mix Kingdom Redco in Hefei. The Directors performed impairment assessment of such goodwill and this goodwill was fully impaired in 2017.

Operating profit

As a result of the foregoing, operating profit increased by 37.1% to RMB2,112.6 million for the year ended 31 December 2018 from RMB1,541.2 million for the year ended 31 December 2017.

Finance income

Finance income increased by 112.5% to RMB95.0 million for the year ended 31 December 2018 from RMB44.7 million for the year ended 31 December 2017. Such increase was primarily attributable to the increase in finance income from loans to non-controlling interests, an associate and a third party in 2018 and the increase in the interest income from bank deposits.

Finance costs

Finance costs increased by 1% to RMB71.7 million for the year ended 31 December 2018 from RMB70.9 million for the year ended 31 December 2017. Such slightly increase was mainly due to the increase in interest expense which is not eligible to be capitalised.

Share of profit of investments accounted for using the equity method, net

Share of profit of investments accounted for using the equity method, net decreased to RMB77.5 million for the year ended 31 December 2018 from RMB82.9 million for the year ended 31 December 2017. Such decrease was primarily due to (a) the profit decreased by the GFA delivery in Bluelake International in Nanchang, which was a joint-controlled real estate development project and becomes a subsidiary of the Group from 1 July 2018 and; (b) the decrease in share of profit in relation to the fair value gain from the investment property held by Redco Industry (Jiangxi) Co., Ltd..

Profit before income tax

As a result of the foregoing, profit before income tax for the year ended 31 December 2018 increased to RMB2,213.5 million from RMB1,597.9 million for the year ended 31 December 2017.

Income tax expense

Income tax expense increased by 50.9% to RMB917.0 million for the year ended 31 December 2018 from RMB607.7 million for the year ended 31 December 2017. Such increase was primarily due to the reversal of a over provision of PRC land appreciation tax in prior years and net-off by the increase in PRC enterprise income tax ("**EIT**") as a result of increased profit of the Group and provision of PRC EIT for the gain on the disposal of a subsidiary.

Profit for the year ended 31 December 2018

As a result of the foregoing, profit for the year ended 31 December 2018 increased by 30.9% to RMB1,296.4 million from RMB990.1 million for the year ended 31 December 2017. The profit for the year ended 31 December 2018 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB417.5 million, Central and Western Regions of RMB127.5 million and Bohai Economic Rim of RMB967.7 million, which was partially off set by loss of Pearl River Delta Region of RMB9.2 million and Others segment for RMB207.1 million.

Profit for the year ended 31 December 2018 attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of the Company increased by 14.9% to RMB990.7 million for the year ended 31 December 2018 from RMB862.2 million for the year ended 31 December 2017. Profit attributable to non-controlling interests increased to RMB305.7 million for the year ended 31 December 2018 as compared with RMB127.9 million for the year ended 31 December 2017 which was mainly due to the increase in the profit from property development projects with other investors.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position

The Group had cash and cash equivalents of approximately RMB5,678.9 million (31 December 2017: RMB3,587.1 million) and restricted cash of RMB2,186.1 million (31 December 2017: RMB1,318.5 million) as at 31 December 2018. As at 31 December 2018, the Group's cash and cash equivalents were denominated in Hong Kong dollar ("**HK$**"), RMB, United States dollar ("**US$**") and Australian dollar ("**AUD**").

Borrowings

As at 31 December 2018, the Group had borrowings of approximately RMB11,059.7 million (31 December 2017: RMB7,243.2 million).

	2018 RMB'000	2017 RMB'000
Long-term bank and other borrowings, secured	3,549,978	3,982,100
11% Senior Notes due 2020, secured	1,362,773	—
Non-current borrowings, secured	4,912,751	3,982,100
Short-term bank and other borrowings, secured	592,540	472,300
7% Senior Notes due 2018, secured	—	1,622,697
6.375% Senior Notes due 2019 , secured	2,048,688	—
8% Private Notes due August 2019, secured	108,534	—
	2,749,762	2,094,997
Portion of long-term bank and other borrowings, secured		
– due for repayment within one year	3,246,900	1,002,286
– due for repayment within one year which contain a repayment on demand clause	24,500	24,500
– due for repayment after one year which contain a repayment on demand clause	125,768	139,336
Current borrowings, secured	6,146,930	3,261,119
Total borrowings	11,059,681	7,243,219

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's total borrowings at the respective balance sheet dates (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	2018 RMB'000	2017 RMB'000
Amounts of borrowings that are repayable:		
– Within 1 year	**6,021,162**	3,121,783
– Between 1 and 2 years	**4,553,060**	2,113,509
– Between 2 and 5 years	**485,459**	2,007,927
	11,059,681	7,243,219

As at 31 December 2018, the Group's borrowings were denominated in RMB, HK$ and US$.

As at 31 December 2018, the Group was exposed to foreign exchange risk primarily with respect to certain of its borrowings which were denominated in HK$ and US$. RMB experienced certain depreciation against HK$ during the year ended 31 December 2018 which is the main reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy but entered into a foreign currency exchange contracts hedge part of the foreign exchange risk.

OTHER PERFORMANCE INDICATORS

Net debt to capital ratio

As at 31 December 2018, the Group's net debt to capital ratio was 32.4% (31 December 2017: 33.7%). It is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and bank balance (including cash and cash equivalents and restricted cash). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

Net current assets and current ratio

As at 31 December 2018, the Group's net current assets amounted to approximately RMB9,618.9 million (31 December 2017: RMB6,637.2 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.4 times as at 31 December 2018 (31 December 2017: 1.6 times).

Cost of borrowings

The Group's average cost of borrowings (calculated by dividing total interest expenses incurred or capitalised by average borrowings during the relevant period) decreased to 7.13% for the year ended 31 December 2018 from 7.49% for the year ended 31 December 2017.

CONTINGENT LIABILITIES

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities as at the dates below:

	2018 RMB'000	2017 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	5,932,804	6,052,438

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure their obligations of such purchasers for repayment. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificates to the purchasers which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is obliged to repay the outstanding mortgage principal together with accrued interest and penalties owned by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and to take over the possession of the related properties. The Group's guarantees period starts from the date of grant of mortgage. The Directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 31 December 2018 and 2017. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

The Company provides a corporate guarantee of AUD70,000,000 to a joint venture of the Group for a loan facility which was fully utilised by the joint venture. The Directors of the Company are of the opinion that it is not probable that the above guarantee will be called upon and the guarantee measured at fair value is immaterial.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of approximately 978 employees (31 December 2017: 950 employees). For the year ended 31 December 2018, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB303.2 million. The remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits. The Group's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. Further, the Group adopted a share option scheme on 14 January 2014. Further information of such share option scheme is available in the annual report of the Company for the year ended 31 December 2018. The Company provided on-the-job training, induction courses together with other training programmes for the employees at different positions to raise their professionalism during the year ended 31 December 2018.

CHARGE ON ASSETS

As at 31 December 2018, the Group had aggregate banking facilities of approximately RMB9,770.3 million (31 December 2017: RMB7,944.2 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 31 December 2018 amounted to RMB1,001.3 million (31 December 2017: RMB1,472.2 million).

These facilities were secured by bank deposits, certain properties under development held for sale and an investment property provided by the Group's subsidiaries, the Group's equity interests in certain subsidiaries and corporate guarantee.

SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES

(1) US$202 million term loan facility

On 20 July 2017 (after trading hours), the Company (as borrower), certain subsidiaries of the Company (as original guarantors), certain financial institutions (as original mandated lead arrangers) and a facility agent entered into a facility agreement (the "Facility") in respect of a US$202,000,000 transferable term loan facility with a term of 36 months from the date of the Facility agreement and at an interest rate of LIBOR plus 4% per annum. Subject to the terms of the Facility, the total commitment under the Facility may be increased to not more than US$220,000,000 as a result of the accession of lender(s).

Under the Facility, it will be an event of default if:

i. Mr. Huang Ruoqing ("Mr. Huang") and Mr. Wong Yuek Hung ("Mr. Wong") individually or collectively do not or cease to hold (directly or indirectly) 51% or more of the beneficial shareholding interest, carrying 51% or more of the voting rights, in the issued share capital of the Company or do not or cease to maintain management control over the Company; or

ii. Mr. Huang is not or ceases to be the president and an executive director of the board of directors of the Company.

On and at any time after the occurrence of an event of default which is continuing, the facility agent may cancel all or part of the commitments, or declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable.

As at 31 December 2018, the full amount of the loan facility remained outstanding.

(2) US$130 million term loan facility

On 9 September 2016, the Company as borrower entered into a facility agreement with a group of financial institutions as lenders. Under the facility agreement, the lenders have agreed to make available to the Company a loan facility in an amount of not less than US$130 million with a term of 36 months from the date of the facility agreement and at an interest rate of LIBOR plus 4% per annum.

It is an event of default will occur if, among other things,

(i) Mr. Huang Ruoqing and Mr. Wong Yeuk Hung individually or collectively do not or cease to hold (directly or indirectly) 51% or more of the beneficial shareholding interest, carrying 51% or more of the voting rights, in the issued share capital of the Company or do not or cease to maintain management control over the Company; or

(ii) Mr. Huang Ruoqing is not or ceases to be the president and an executive director of the Board.

Upon and at any time after the occurrence of an event of default which is continuing, the Facility Agent may, and shall if so directed by the Majority Lenders (as defined in the Facility Agreement), by notice to the Company:

(i) immediately cancel all or any part of the Commitments (as defined in the Facility Agreement);

(ii) declare that all or part of the Loans (as defined in the Facility Agreement) together with interest accrued thereon, and all other amounts accrued or outstanding under the Finance Documents (as defined in the Facility Agreement) be immediately due and payable;

(iii) declare that all or part of the Loans be payable on demand, where they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders; and/or

(iv) subject to the Intercreditor Agreement (as defined in the Facility Agreement), notify the Common Collateral Agent (as defined in the Facility Agreement) to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents and in respect of the Transaction Security (as defined in the Facility Agreement).

As at 31 December 2018, 15% of the loan facility was paid and the remaining amount remains outstanding.

Except as disclosed above, as at 31 December 2018, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules

On 27 March 2019 (after trading hours), the Company (as borrower), certain subsidiaries of the Company (as guarantors), certain financial institutions (as mandated lead arrangers and lenders) and a facility agent entered into a facility agreement (the "Facility") in respect of a US$175,000,000 transferable term loan facility with a term of 36 months from the date of the Facility agreement and at an interest rate of LIBOR plus 5.10% per annum.

Under the Facility, it will be an event of default if:

(i) Mr. Wong Yeuk Hung ("Mr. Wong") and Mr. Huang Ruoqing ("Mr. Huang") collectively do not or cease to hold (directly or indirectly) at least 51% of the beneficial shareholding interest, carrying at least 51% of the voting rights, in the issued share capital of the Company or do not or cease to maintain management control over the Borrower; or

(ii) Mr. Huang is not or ceases to be the president and an executive director of the board of directors of the Company.

On and at any time after the occurrence of an event of default which is continuing, the facility agent may cancel all or part of the commitments, or declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable, declare that all or part of the Loans be payable on demand, exercise any or all of its rights, remedies, powers or discretions under the finance documents of the transaction and in respect of the transaction security.

As at 31 December 2018, there are USD123 million of loan facility remained outstanding and as at the date of this report, the full amount of the loan was fully repaid.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 27 February 2018, the Group completed the disposal of 100% equity interest in Shanghai Mingchang Real Estate Company Limited ("Shanghai Mingchang") at a consideration of approximately RMB644,644,000 to Shanghai Zhong Da Industry Development Company Limited (上海重達實業發展有限公司), an independent third party. Shanghai Mingchang is principally engaged in the property development in the PRC. Upon the completion of the disposal, the Group lost its control over Shanghai Mingchang and its financial results are not consolidated with the results of the Group. A disposal gain of RMB304.3 million has been recognised in the profit or loss.

Save as disclosed, no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2018.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REPORTING PERIOD

On 10 January 2019, the Company issued 13.5% senior notes due 2020 with an aggregate nominal value of US$250,000,000 at par value (the "13.5% Senior Notes due 2020"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US$247,000,000. The 13.5% Senior Notes due 2020 will mature on 21 January 2020, unless redeemed earlier.

On 27 March 2019, the Company entered into a facility agreement with certain fiancial institutions in respect of a US$175,000,000 term loan facility with a term of 36 months from the date of the facility agreement and at an interest rate of London Inter-bank offered Rate plus 5.1% per annum.

Save as disclosed, no other important event affecting the Group has taken place since 31 December 2018 and up to the date of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company will continue to purchase land located in the strategically selected cities. It is expected that the Group's internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in this report, the Company did not have any plans of significant investments or capital assets as at the date of this report.

OUTLOOK

Under the Central Government's regulation and central objective of "no speculation of residential properties", it is expected that the real estate market development will remain stable in 2019 with occasional volatility. In 2019, the Group will develop around the dual themes of "Constant" and "Dynamic". We shall remain constant on our business philosophy of "focusing on capital-based operation and achieving high turnover of quality products". At the same time, we shall be "Dynamic" as to maintain our "sensitivity" in the face of ever-changing market environment, adjusting our response and roll out corresponding business strategies.

The Group will continue to firmly implement its real estate investment strategy, attach great importance to the in-depth exploration of opportunities in the key second-tier cities where we have established our businesses. We shall increase investment in Greater Bay Area and make land acquisition through a combination of various methods. Financially, we shall toe a prudent and steady line, explore multi-channel financing and lay a solid foundation for the Company's growth in business scale and sustainable development. We shall continue to aim for diversification of our properties, adhere to the principle of diversified light-weight assets development, adopt a variety of flexible mechanisms to further our development progress.

Our assessment and incentive mechanism stresses performance-based merits, and aim to promote the enthusiasm and motivation of our project companies as the Group' s frontline congregations. Moreover, products need to be constantly upgraded to improve their core competitiveness, whereas customer service system shall be refined to lift customer' s level of satisfaction. We share enhance the echelon formation, continuously implement talent programmes, optimize organization structure, as well as enhance the efficiency of each staff menber. All these measures will further stimulate the growth of the Redco Group, setting it on the path of high-speed development.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group' s financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

Risks pertaining to the property market in the PRC

The Group' s business and revenue growth is dependent on favourable economic conditions in the PRC, particularly the performance of the PRC residential property market in the cities in which the Group develops its property development projects, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where the Group has operations, could have a material adverse effect on its business, results of operations and financial condition.

Operational Risks

The Group' s operations are subject to a number of risk factors distinctive to the property related businesses. Shortages of materials, equipment and skilled labour, labour disputes, default on the part of its buyers, contractors and strategic business partners, natural catastrophes, adverse weather conditions, inadequacies or failures of internal processes or other external factors may have various levels of negative impact on the results of the Group' s operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to the Group' s financial loss, litigation, or damage in reputation.

Further, property development is capital intensive in nature. The Group has financed its property development projects primarily through proceeds from sales of properties and bank borrowings. It may also access the capital markets to raise further financing. Its ability to obtain external financing in the future is subject to a variety of uncertainties, including the condition of the international and domestic financial markets and financing availability and general economic conditions in the PRC. If the Group fails to secure adequate financing or renew its existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on the business, results of operations and financial condition of the Group.

Foreign Exchange Risks

As at 31 December 2018, the Group is exposed to foreign exchange risk primarily with respect to certain of its bank borrowings and senior notes which were denominated in HK$ and US$. RMB experienced certain fluctuation against HK$ and US$ during the year 2018 which is the major reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge the foreign exchange risk.

ENVIRONMENTAL PROTECTION

As a responsible developer, the Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental measures to ensure that the conducting of the Group's business meets the applicable local standards and ethics in respect of environmental protection. The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conservation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management.

Several measures have been implemented in order to mitigate environmental pollution, including the environmental protection as one of the key factor when we consider the major contractor in the contract tendering; we implemented the electronic approval system ("EAS" system) to reduce the use of paper in our working environment.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the year ended 31 December 2018.

KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

Workplace Quality

The Group believes that the directors, senior management and employees of the Group are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. As such, the Share Option Scheme was adopted by the Company for the purpose of providing incentives and rewards to the Eligible Participants (as defined below) who contributed to the success of the Group's operations.

The Group provides on the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised staff-friendly activities for employees, such as annual dinner, to promote staff relationship.

The Group provides a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

Relationships with the Group's other stakeholders

The Group placed efforts in maintaining good relationships various financial institutions and banks given that the Group's business is capital intensive and require on-going funding for the development and growth of the Group's business.

Further, the Group aims at delivering constantly high standards of quality in the products to its customers in order to stay competitive.

During the year, there was no material and significant dispute between the Group and its financial institutions and/or customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 76.

The Board recommended the payment of a final dividend of RMB3 cents per share for the year ended 31 December 2018 (2017: RMB3 cents) to the Shareholders whose names appear on the Register of Members of the Company on 27 June 2019. The final dividend is subject to the approval of the Shareholders at the annual general meeting to be held on 21 June 2019 ("AGM") and will be payable on or around 9 July 2019. The proposed final dividend shall be declared in RMB and paid in HKD. The final dividend payable in HKD will be converted from RMB at the average exchange rate of HKD against RMB announced by the People's Bank of China on 21 June 2019.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale are set out on page 183 to page 185 of this report.

SHARE ISSUED IN THE YEAR

During the year ended 31 December 2018, there is no new shares issued by the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, stipulating that any new shares shall be offered according to the respective shareholding of the existing shareholders when new shares are issued.

DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB1.13 million (2017: RMB0.6 million).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 182 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the Group's turnover attributable to the Group's five largest customers was less than 30%. For the year ended 31 December 2018, purchases from the Group's largest and the five largest suppliers accounted for approximately 11.1% (2017: 17.7%) and 23.1% (2017: 25.5%) of total cost of sales of the Group, respectively.

For the year ended 31 December 2018, none of the Directors or any of their close associates or any Shareholders of the Company, to the knowledge of the Directors, owns more than 5% of the issued Shares) has any interest in the above-mentioned suppliers and customers.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

On 23 February 2018, the Company issued Senior Notes due in 2019 with principal amount of US$300,000,000 at a coupon rate of 6.375% per annum for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the Senior Notes due 2019 are disclosed in the announcement of the Company dated 24 February 2018.

On 23 August 2018, the Company issued Senior Notes due 2020 with principal amount of US$200,000,000 at a coupon rate of 11.0% per annum for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the Senior Notes due 2020 are disclosed in the report of the Company dated 24 August 2018.

On 17 September 2018, the Company redeemed US$200,000,000 in principal amount of the 7% Senior Notes due 2018 (the "Partial Redemption"). Upon completion of the Partial Redemption, the outstanding principal amount of the 7% Senior Notes due 2018 was US$50,000,000 was mature and repaid on 14 November 2018.

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

SHARE OPTION SCHEME

On 14 January 2014, the Company adopted a share option scheme (the "Share Option Scheme") whereby the Board may, at its discretion, offer to grant an option to subscribe for such number of new shares of the Company (the "Shares") to (a) full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (b) any directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries (the "Eligible Participants") as described in the Share Option Scheme in order to serve as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries. Upon acceptance of the option, the grantee shall pay HK$1 (or an equivalent amount in RMB) to the Company by way of consideration for the grant.

During the Year, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

(a) Maximum number of Shares available for issue

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 355,160,932 Shares, representing 10% of the issued capital of the Company as at the date of this report, respectively, excluding for this purpose Shares which may have been issued upon the exercise of the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may: (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with the terms of the Share Option Scheme whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(b) Maximum number of options to each Eligible Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2) (d) and the disclaimer required under 17.02(4) of the Listing Rules; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

DIRECTORS

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

Executive Directors

Mr. WONG Yeuk Hung
Mr. HUANG Ruoqing
Mr. TANG Chengyong

Independent non-executive Directors

Dr. WONG Yau Kar, David GBS, BBS, JP
Mr. CHAU On Ta Yuen SBS, BBS
Mr. YIP Tai Him
Mr. CHOW Kwong Fai, Edward JP

Biographical details of the Directors and senior management are set forth in the section headed "Directors and Senior Management Profiles of this report.

In accordance with Article 108(a) of the Articles of Association, one-third of the Directors for the time being shall retire from their offices by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. As such, Mr. Tang, Mr. Wong and Mr. Chau shall retire from office and being eligible, offer themselves for re-election at the Annual General Meeting.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Yeuk Hung entered into a service contract with the Company for a term of three years commencing from 9 March 2017. Mr. Huang Ruoqing, Mr. Tang Chengyong, Dr. Wong Yau Kar, David, Mr. Chau On Ta Yuen, Mr. Yip Tai Him and Mr. Chow Kwong Fai entered into a service contract with the Company for a term of three years commencing from January 2017. Such service contract can be terminated by either party thereto serving at least three months' notice prior to the expiry of the term thereof. Each of the independent non-executive Directors signed an appointment letter with the Company for a term of three years with effect from 30 January 2017.

None of the Directors (including any Director who may be proposed for re-election at the Annual General Meeting) has entered into any service agreement with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, Directors or other officers of the Company acting in relation to any of the affairs of the Company shall be indemnified from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office, except such (if any) as he/she shall incur or sustain through his/her own fraud or dishonesty. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") in Hong Kong. The Group also participates in an employee social security plan as required by the regulations in the PRC, under which the Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. Save as disclosed above, the Group has not operated any other retirement benefits schemes for the Group's employees.

CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETITION BUSINESS

A deed of non-competition dated 17 January 2014 (the "**Deed of Non-Competition**") was entered into between the Company and the controlling Shareholders, namely Mr. Wong, Mr. Huang, Global Universe and Times International, who have undertaken to the Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (except any members of the Group) would not directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold shares or interests (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) in any companies or businesses that compete directly or indirectly with the property development and property investment business engaged by the Group, unless otherwise permitted according to the Deed of Non-Competition.

The Company has received an annual written confirmation from each of the controlling Shareholders in respect of the compliance by them and their associates with the Deed of Non-Competition.

The independent non-executive Directors have reviewed the Deed of Non-Competition and assessed whether the controlling Shareholders have abided by the non-competition undertaking. The independent non-executive Directors confirmed that the controlling Shareholders have not been in breach of the non-competition undertaking during the year ended 31 December 2018.

Save as disclosed, none of the Directors or their respective associates have any interests in any business that competed or is likely to compete with the Group's business (other than the Group's business) during the year ended 31 December 2018.

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Company:

Name of Director	Nature of interest	Total number of Shares	Percentage of the Company's issued shares
Mr. Wong (Note 2)	Interest in controlled corporation	1,387,258,000(L)(Note 1)	39.06%
Mr. Huang (Note 3)	Interest in controlled corporation	944,838,000(L)(Note 1)	26.60%

Notes:

(1) The letters "L" denotes the person's long position in the Shares.

(2) As at the date of this report, Mr. Wong beneficially owned 100% of the issued share captial of Global Universe and was deemed to be interested in 1,387,258,000 Shares held by Global Universe pursuant to the SFO.

(3) As at the date of this report, Mr. Huang beneficially owned 100% of the issued share capital of Times International and was deemed to be interested in the 944,838,000 Shares held by Times International pursuant to the SFO.

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme as disclosed in this annual report, at no time during the year ended 31 December 2018 was the Company, its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2018, so far as the Directors were aware of, the following persons' (other than the Directors and chief executive of the Company) interests or short position in the shares and underlying shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Name	Nature of interest	Number of Shares	Long/Short position	Percentage of the Company's issued shares
Global Universe (Note 1)	Beneficial Owner	1,387,258,000	Long Position	39.06%
Times International (Note 2)	Beneficial Owner	944,838,000	Long Position	26.60%
Ms. Sze Kai Fei (Note 3)	Interest of spouse	1,387,258,000	Long Position	39.06%
Ms. Fan Huili (Note 4)	Interest of spouse	944,838,000	Long Position	26.60%
Power Ray (Note 5)	Beneficial Owner	351,609,322	Long Position	9.9%
Mr. Ng Leung Ho (Note 5)	Interest in controlled corporation	351,609,322	Long Position	9.9%

Notes:

(1) As at the date of this report, the entire share capital of Global Universe, a company incorporated in the British Virgin Islands ("BVI") with limited liability, was held by Mr. Wong. By virtue of the SFO, Mr. Wong was deemed to be interested in the Shares held by Global Universe.

(2) The entire share capital of Times International, a company incorporated in the BVI with limited liability, was held by Mr. Huang. By virtue of the SFO, Mr. Huang was deemed to be interested in the 924,838,000 Shares held by Times International. Details of which are set out in the section headed "Directors and Chief Executive's interests and short positions in shares, underlying shares, and debentures" above.

(3) Ms. Sze Kai Fei is the spouse of Mr. Wong. By virtue of the SFO, Ms. Sze Kai Fei is deemed to be interested in the Shares held by Mr. Wong.

(4) Ms. Fan Huili is the spouse of Mr. Huang. By virtue of the SFO, Ms. Fan Huili is deemed to be interested in the Shares held by Mr. Huang.

(5) To the best knowledge of the Directors, the entire share capital of Power Ray Investment Development Limited ("Power Ray"), a company incorporated in the BVI with limited liability, was wholly owned by Mr. NG Leung Ho. By virtue of the SFO, Mr. NG Leung Ho is deemed to be interested in the Shares held by Power Ray.

MANAGEMENT CONTRACTS

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

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as the transactions set out in Note 34 to the consolidated financial statements, no Director or an entity connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year.

CONNECTED TRANSACTIONS

There is no connected party transaction conducted during the year ended 31 December 2018.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2018, the Group had certain related parties transactions under the applicable accounting standards. There are no related parties transactions disclosed in note 34 to the financial statements which constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules during the year ended 31 December 2018. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Save as the transactions as set out in Note 34 to the consolidated financial statements, no contracts of significance between the controlling shareholders of the Company or any of their subsidiaries and the Group has been made during the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Friday, 21 June 2019, the register of members of the Company will be closed on Tuesday, 18 June 2019 to Friday, 21 June 2019, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712– 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 17 June 2019.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Thursday, 27 June 2019. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 26 June 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the Directors' knowledge as at the date of this report, the Company has maintained the prescribed public float as required by the Listing Rules during the year ended 31 December 2018 and up to the date of this report.

AUDITOR

The financial statements have been audited by PricewahterhouseCoopers which has indicated its willingness to continue in office as the Group's external auditor for 2019 for Shareholders' approval at the Annual General Meeting.

PROFESSIONAL TAX ADVICE RECOMMENDED

If any shareholder of the Company is unsure about the taxation implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Shares, it is advised to consult an expert.

On behalf of the Board
Wong Yeuk Hung
Chairman

29 March, 2019

pwc

羅兵咸永道

To the Shareholders of Redco Properties Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Redco Properties Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 181, which comprise:

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

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor' s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA' s Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. Key audit matters identified in our audit are:

- Valuation of investment properties
- Classification of investments

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to Note 2.7, 4.1 and 14 to the consolidated financial statements* As at 31 December 2018, the carrying amount of the Group' s investment properties in the People Republic of China ("PRC") was approximately RMB803.9 million and a fair value gain of approximately RMB84.2 million was recognised in the consolidated statement of profit or loss during the year. The Group engaged an independent external valuer to perform a valuation of the investment properties as at 31 December 2018. The valuation of the investment property prepared under income capitalisation approach was dependent on certain key assumptions that required significant management judgement, including capitalisation rate, fair market rent and fair market price. The valuation of the investment property under construction prepared under residual approach was also dependent upon the estimated costs to completion and expected developer' s profit margin. The significant judgement and estimates involved in the valuation warrants specific audit focus and attention on this area.	Our procedures in relation to the valuation of the investment properties included: • We assessed the competence, capability and independence of the independent external valuer; • We engaged our in-house valuation experts to assess the appropriateness of the valuation methodology used by the valuer and the reasonableness of the key assumptions adopted in the valuation based on their knowledge of the property industry; and • We checked, on a sample basis, the accuracy and relevance of the input data used, including the capitalisation rate, fair market rent and fair market price, to the recent renewal of lease or sale transactions of the Group and of the market. For the estimated costs to completion and expected developer' s profit margin, we also checked to the construction budget and historical information of similar properties of the Group. Based on the audit procedures performed, we consider the methodology used in preparing the valuations were appropriate and the key assumptions were supportable in light of available internal and other market evidence.

Key Audit Matter (Continued)	**How our audit addressed the Key Audit Matter** (Continued)
Classification of investments *Refer to Note 2.2, 2.3, 4.2, 15 and 28 to the consolidated financial statements* During the year ended 31 December 2018, the Group made investments with consideration of approximately RMB 755.6 million in subsidiaries and RMB 66.7 million in associates. We focused on this area due to the magnitude of the investments and the fact that significant judgements were made by management in determining the appropriate classification of the investments that involved complex terms and arrangements.	Our procedures in relation to the classification of investments included: • We read the contracts and agreements in relation to those investments made in the current year. We assessed the terms and conditions of those investments, including evaluation of whether there is any indication or evidence of control or significant influence found in the detailed arrangement of these investments, to determine whether appropriate classification had been adopted by management in relation to those investments based on the consideration of the totality of facts. • We discussed with management and obtained management assessment to understand their critical judgement in the classification of investments that they had applied. • We also discussed with management to obtain an understanding on the details of such investments, including relevant activities of the investee companies and how decisions about those activities are made, how the Group and other investors participate in the decisions, the rights and power of the Group and other investors on the investee companies. Based on the procedures performed, we noted that management's judgement applied in the classification of investments was supported by available evidence.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee is responsible for overseeing the Group' s financial reporting process.

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor' s report is Chow Shiu Hay, Antonio.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 RMB' 000	2017 RMB' 000
Revenue	5	**6,735,931**	6,734,067
Cost of sales	6	**(4,348,211)**	(5,057,627)
Gross profit		**2,387,720**	1,676,440
Other gains/(losses), net	7	**248,469**	(15,803)
Selling and marketing expenses	6	**(183,499)**	(195,475)
General and administrative expenses	6	**(424,221)**	(233,450)
Fair value gain on investment properties	14	**84,172**	359,036
Impairment of goodwill	12	**—**	(49,535)
Operating profit		**2,112,641**	1,541,213
Finance income	9	**95,025**	44,729
Finance costs	9	**(71,662)**	(70,945)
Finance income/(cost), net		**23,363**	(26,216)
Share of profit of investments accounted for using the equity method, net	15	**77,468**	82,870
Profit before income tax		**2,213,472**	1,597,867
Income tax expense	10	**(917,044)**	(607,735)
Profit for the year		**1,296,428**	990,132
Profit attributable to:			
Owners of the Company		**990,747**	862,237
Non-controlling interests		**305,681**	127,895
		1,296,428	990,132
Earnings per share for profit attributable to owners of the Company for the year			
– Basic and diluted (expressed in RMB cents per share)	32	**27.90**	24.28

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 RMB' 000	2017 RMB' 000
Profit for the year	**1,296,428**	990,132
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
– Currency translation differences	**(218,452)**	171,999
Total other comprehensive (loss)/income	**(218,452)**	171,999
Total comprehensive income for the year	**1,077,976**	1,162,131
Total comprehensive income attributable to:		
– Owners of the Company	**773,425**	1,032,876
– Non-controlling interests	**304,551**	129,255
Total comprehensive income for the year	**1,077,976**	1,162,131

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 RMB' 000	2017 RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**221,300**	36,489
Investment properties	14	**803,899**	434,669
Investments accounted for using the equity method	15	**700,294**	1,034,521
Prepayments	19	**60,000**	475,236
Deferred income tax assets	16	**459,833**	238,931
		2,245,326	2,219,846
Current assets			
Completed properties held for sale	17	**2,133,818**	1,564,092
Properties under development for sale	18	**15,680,128**	5,728,454
Contract assets	5	**700,000**	—
Trade and other receivables and deposits	19	**3,371,544**	3,082,594
Prepayments	19	**1,053,610**	964,113
Amounts due from joint ventures	34	**4,844**	53,123
Amounts due from associates	34	**364,871**	32,719
Amounts due from non-controlling interests	33	**1,414,342**	672,675
Income tax recoverable		**312,821**	180,948
Restricted cash	20	**2,186,139**	1,318,450
Cash and cash equivalents	20	**5,678,863**	3,587,062
		32,900,980	17,184,230
Assets classified as held for sale	21	**—**	467,931
		32,900,980	17,652,161
Total assets		**35,146,306**	19,872,007
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	**139,632**	139,632
Reserves	23	**4,237,813**	3,672,089
		4,377,445	3,811,721
Non-controlling interests		**2,287,973**	797,579
Total equity		**6,665,418**	4,609,300

	Note	2018 RMB' 000	2017 RMB' 000
LIABILITIES			
Non-current liabilities			
Borrowings	24	**4,912,751**	3,982,100
Deferred income tax liabilities	16	**286,051**	265,604
		5,198,802	4,247,704
Current liabilities			
Trade and other payables	25	**6,323,532**	2,156,112
Borrowings	24	**6,146,930**	3,261,119
Amounts due to non-controlling interests	33	**2,123,659**	116,414
Amount due to an associate	34	**66,000**	—
Amounts due to joint ventures	34	**23,756**	140,209
Contract liabilities	26	**7,169,457**	—
Receipts in advance	26	**—**	4,507,441
Income tax liabilities		**1,428,752**	832,164
		23,282,086	11,013,459
Liabilities directly associated with assets classified as held for sale	21	**—**	1,544
		23,282,086	11,015,003
Total liabilities		**28,480,888**	15,262,707
Total equity and liabilities		**35,146,306**	19,872,007

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

The financial statements on pages 76 to 181 were approved for issue by the Board of Directors on 29 March 2019 and were signed on its behalf:

WONG Yeuk Hung
Director

HUANG Ruoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				
		Share capital RMB' 000	Reserves RMB' 000	Total RMB' 000	Non-controlling interests RMB' 000	Total equity RMB' 000
Balance at 1 January 2017, as previously reported		139,632	2,662,236	2,801,868	555,158	3,357,026
Change in accounting policy		—	48,009	48,009	—	48,009
Balance at 1 January 2017 (Restated)		139,632	2,710,245	2,849,877	555,158	3,405,035
Comprehensive income						
– Profit for the year		—	862,237	862,237	127,895	990,132
Other comprehensive income						
– Currency translation differences		—	170,639	170,639	1,360	171,999
Total comprehensive income for the year		—	1,032,876	1,032,876	129,255	1,162,131
Transactions with owners						
Non-controlling interests arising on acquisitions of subsidiaries		—	—	—	101,466	101,466
Capital injection from non-controlling interests		—	—	—	11,700	11,700
Dividends relating to 2017 interim		—	(71,032)	(71,032)	—	(71,032)
Total transactions with owners, recognised directly in equity		—	(71,032)	(71,032)	113,166	42,134
Balance at 31 December 2017		139,632	3,672,089	3,811,721	797,579	4,609,300

	Note	Attributable to owners of the Company				
		Share capital RMB' 000	Reserves RMB' 000	Total RMB' 000	Non-controlling interests RMB' 000	Total equity RMB' 000
Balance at 1 January 2018, as previously reported		139,632	3,672,089	3,811,721	797,579	4,609,300
Change in accounting policy (Note 2.1.2)		—	(22,173)	(22,173)	(9,742)	(31,915)
		139,632	3,649,916	3,789,548	787,837	4,577,385
Comprehensive income						
– Profit for the year		—	990,747	990,747	305,681	1,296,428
Other comprehensive income						
– Currency translation differences		—	(217,322)	(217,322)	(1,130)	(218,452)
Total comprehensive income for the year		—	773,425	773,425	304,551	1,077,976
Transactions with owners						
Change in ownership interests in a subsidiary without change of control	29	—	9,810	9,810	(28,350)	(18,540)
Non-controlling interests arising from acquisitions of subsidiaries	28	—	—	—	285,493	285,493
Non-controlling interests arising from step acquisition	28	—	—	—	238,914	238,914
Capital injection from non-controlling interests		—	—	—	699,528	699,528
Dividends relating to 2017 final		—	(106,548)	(106,548)	—	(106,548)
Dividends relating to 2018 interim		—	(88,790)	(88,790)	—	(88,790)
Total transactions with owners, recognised directly in equity		—	(185,528)	(185,528)	1,195,585	1,010,057
Balance at 31 December 2018		139,632	4,237,813	4,377,445	2,287,973	6,665,418

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 RMB' 000	2017 RMB' 000
Cash flows from operating activities			
Net cash (used in)/generated from operations	27	(1,624,343)	331,287
Income tax paid		(631,728)	(466,158)
Net cash used in operating activities		(2,256,071)	(134,871)
Cash flows from investing activities			
Additions of property, plant and equipment		(22,798)	(441,929)
Proceeds from disposal of property, plant and equipment	27	647	944
Capitalised subsequent expenditure on an investment property	14	(204)	(131)
Payments for acquisition and step acquisition of subsidiaries, net of cash acquired	28	(442,095)	(516,728)
Net cash outflows in respect of the disposal of subsidiaries		—	(672)
Net cash inflows in respect of the disposal of assets and liabilities held for sales	29	369,731	—
Payments for investment in joint ventures	15	(500)	(500)
Payments for investment in associates	15	(66,699)	(275,664)
Payments for prepayments for investment in an associate	19	(60,000)	—
Proceeds from the disposal of a joint venture	15	—	16,875
Advances to non-controlling interests		(711,379)	(189,768)
Advances to associates		(79,763)	(22,990)
Repayment of advances to joint ventures		48,258	92,465
Loans due from joint ventures		(4,436)	(94,089)
Loan due from an associate		—	(243,393)
Loans due from third parties		(207,620)	—
Interest received		34,945	19,012
Net cash used in investing activities		(1,141,913)	(1,656,568)
Cash flows from financing activities			
Increase in restricted cash		(97,800)	—
Proceeds from bank and other borrowings		4,572,845	4,997,001
Repayment of bank and other borrowings		(3,037,142)	(2,111,100)
Issuance of 7% Senior Note due 2018		—	1,673,784
Issuance of 6.375% Senior Note due 2019		2,277,435	—
Issuance of 11% Senior Note due 2020		1,310,388	—
Repayment of 7% Senior Note due 2018		(1,799,231)	—
Payment for repurchase of 6.375% Senior Note due 2019		(6,748)	—
Redemption of 13.75% Senior Note due 2019		—	(899,974)
Advance from/(repayment to) non-controlling interests		2,007,245	(334,894)
Advances from joint ventures		129,241	74,546
Advance from an associate		66,000	—
Proceeds from capital injection from non-controlling interests		699,528	11,700
Interest paid		(496,389)	(350,877)
Dividend paid		(149,908)	(64,125)
Net cash generated from financing activities		5,475,464	2,996,061
Net increase in cash and cash equivalents		2,077,480	1,204,622
Cash and cash equivalents at beginning of year		3,587,770	2,417,219
Currency translation differences		13,613	(34,071)
Cash and cash equivalents at end of the year	20	5,678,863	3,587,770

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

1 GENERAL INFORMATION

Redco Properties Group Limited (the "Company") was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as the "Group") are principally engaged in property development, property investment, project management business and healthcare service in the People' s Republic of China (the "PRC"). The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and financial liabilities recognised for early redemption option which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group' s accounting policies. 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 to the consolidated financial statements.

2.1.1 Accounting policies

(a) New and amended standard adopted by the Group

The Group has adopted the following new, revised and amended standards and interpretations to existing standards that have been issued and are effective for the Group' s accounting year beginning on or after 1 January 2018:

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

The impact of the adoption of HKFRS 9 Financial Instruments ("HKFRS 9") and HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") are disclosed in Note 2.1.2.

Apart from aforementioned HKFRS 9 and HKFRS 15, the other standards did not have material impact on the Group' s accounting policies and did not require any adjustments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Accounting policies (Continued)

(b) The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) Int-23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Investment in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvements 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Raised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

HKFRS 16 "Leases"

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

Impact

Based on management's initial assessment, the initial adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is not expected to result in a significant increase in both assets and liabilities in the consolidated balance sheet. The adoption will also front-load the expense recognition in the consolidated statement of profit and loss over the period of the leases, as a result of the combination of the interest expenses arising from the lease liabilities and the amortisation of the right-of-use assets as compared to the rental expenses under existing standard.

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Apart from aforementioned HKFRS 16, the directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Group will adopt the new standards and amendments to standards when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15

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

(a) **Impact on the financial statements**

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

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

	31 December 2017 RMB' 000	HKFRS 9 RMB' 000	HKFRS 15 RMB' 000	1 January 2018 (Restated) RMB' 000
Balance sheet (extract)				
Current assets				
Trade and other receivables and deposits	3,082,594	(31,915)	(700,000)	**2,350,679**
Contract assets			700,000	**700,000**
Current liabilities				
Receipts in advance	4,507,441	—	(4,507,441)	**—**
Contract liabilities	—	—	4,507,441	**4,507,441**
Reserves	3,672,089	(22,173)	—	**3,649,916**
Non-controlling interests	797,579	(9,742)	—	**787,837**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 *Basis of preparation (Continued)*

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(b) **HKFRS 9 – impact of adoption**

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The total impact on the Group's retained earnings and non-controlling interests as at 1 January 2018 is as follows:

	31 December 2017 (HKAS 39) RMB' 000	Increase in provision for impairment of other receivables RMB' 000	**1 January 2018 (HKFRS 9) RMB' 000**
Retained earnings	2,056,798	(22,173)	**2,034,625**
Non-controlling interests	797,579	(9,742)	**787,837**
	2,854,377	(31,915)	**2,822,462**

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 9 as compared to HKAS 39 that was previously in effect before the adoption of HKFRS 9 is as follows:

	As at 31 December 2018		
	Amounts without the adoption of HKFRS 9 RMB' 000	Effects of the adoption of HKFRS 9 RMB' 000	**Amounts as reported RMB' 000**
Statement of profit or loss (extract)			
Administrative expenses	(405,876)	(18,345)	**(424,221)**
Profit attributable to:			
– Owners of the Company	1,008,839	(18,092)	**990,747**
– Non-controlling interest	305,934	(253)	**305,681**
	1,314,773	(18,345)	**1,296,428**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(b) **HKFRS 9 – impact of adoption** (Continued)

Impairment of financial assets

The Group has four types of financial assets at amortised cost and contract assets subject to HKFRS 9' s new expected credit loss model:

- Trade receivables
- Other receivables and deposits (excluding prepayments)
- Amounts due from joint ventures, associates and non-controlling interests
- Other financial assets carried at amortised cost
- Contract assets

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group makes estimates and assumptions concerning the futures which are discussed below:

The provision for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

For amounts due from joint ventures, associates and non-controlling interests already in place at 1 January 2018, the Group had to assess the probability of default at the initial recognition of each amounts due from joint ventures, associates and non-controlling interests that would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised.

For other receivables and deposits (excluding prepayments), the provision for impairment of RMB31,915,000 was recognised as at 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(c) HKFRS 9 – accounting policies

(i) Classification

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

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

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

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

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(c) **HKFRS 9 – accounting policies** (Continued)

(ii) Recognition and measurement (Continued)

Debt instruments (Continued)

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

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within "other gains/(losses) – net" in the period in which it arises. Interest income from these financial assets is included in the "finance income".

Equity instruments

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

- Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other gains/(losses), net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(c) **HKFRS 9 – accounting policies** (Continued)

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its other receivables and deposits carried at amortised cost and adopt three-stages approach to assess the impairment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

For other receivables and deposits, the Group allies a forward looking basis and the expected credit loss associated and adopted three-stages approach to assess the impairment.

(d) **HKFRS 15 – impact of adoption**

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group applied the modified retrospective approach to adopt HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 *Basis of preparation (Continued)*

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(d) **HKFRS 15 – impact of adoption** (Continued)

The following table shows the adjustments recognised in the opening balance sheet on 1 January 2018:

	31 December 2017 (As previously stated under HKAS 18 and HKAS 11) RMB' 000	Reclassifications under HKFRS 15 RMB' 000	**1 January 2018 (Restated under HKFRS 15) RMB' 000**
Balance sheet (extract)			
Current assets			
Trade and other receivables and deposits	3,082,594	(700,000)	**2,382,594**
Contract assets	—	700,000	**700,000**
Current liabilities			
Receipts in advance	4,507,441	(4,507,441)	—
Contract liabilities	—	4,507,441	**4,507,441**

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018		
	Amounts without the adoption of HKFRS 15 RMB' 000	Effects of the adoption of HKFRS 15 RMB' 000	**Amounts as reported RMB' 000**
Balance sheet (extract)			
Current assets			
Trade and other receivables and deposits	4,071,544	(700,000)	**3,371,544**
Contract assets	—	700,000	**700,000**
Current liabilities			
Receipts in advance	7,169,457	(7,169,457)	—
Contract liabilities	—	7,169,457	**7,169,457**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(d) HKFRS 15 – impact of adoption (Continued)

(i) Accounting for property development activities

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

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS18") and HKAS 11 Construction contracts ("HKAS11") that relate to the recognition, classification and measurement of revenue and costs.

Under HKFRS 15, revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group' s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(e) HKFRS 15 – accounting policies

(i) Accounting for property development activities and construction services

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

(ii) Accounting for costs to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commission incurred directly attributable for obtaining a pre-sale property contract, if recoverable, are capitalised.

(iii) Accounting for significant financing component

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Effects of the adoption of HKFRS 9 and HKFRS 15 (Continued)

(f) HKFRS 15 – Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the balance sheet to reflect the terminology of HKFRS 15:

- Contract assets in relation to sea reclamation service were previously included trade and other receivables and deposits (RMB700,000,000 as at 1 January 2018).
- Contract liabilities in relation to property sales contracts were previously included receipts in advance from customers (RMB4,507,441,000 as at 1 January 2018).

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *Subsidiaries (Continued)*

2.2.1 Consolidation (Continued)

(a) **Business combinations** (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

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

(b) **Changes in ownership interests in subsidiaries without change of control**

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

(c) **Disposal of subsidiaries**

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

2.2.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Investments accounted for using the equity method

2.3.1 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investment in a joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. The joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 *Investments accounted for using the equity method (Continued)*

2.3.2 Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method, net' in the consolidated statement of profit or loss.

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

Gain or losses on dilution of equity interests in associates are recognised in the consolidated statement of profit or loss.

2.4 *Segment reporting*

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

2.5 *Foreign currency translation*

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Hong Kong dollars ("HK$"), and the consolidated financial statements are presented in RMB, which is the Company's and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance income" and "finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other gains/(losses), net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.5 Foreign currency translation(continue)

(c) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- share capital is translated at the historical rate;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which cash income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

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

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Building	50 years
Leasehold improvement	shorter of the lease term or useful lives
Furniture and office equipment	3 to 5 years
Motor vehicles	3 to 5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.7 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Where fair value of investment properties under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are presented in the consolidated statement of profit or loss.

2.8 Goodwill

Goodwill arises on the acquisition of a subsidiary and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset' s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset' s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Properties under development for sale and completed properties for sale

Properties under development for sale and completed properties held for sale are included in current assets at the lower of cost and net realisable value. Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights, borrowing costs on qualifying assets and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal company classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal company classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal company classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

2.12 Financial assets - accounting policies applied since 1 January 2018

(a) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets - accounting policies applied since 1 January 2018 (Continued)

(b) Recognition and measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

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

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within "other gains/(losses) – net" in the period in which it arises. Interest income from these financial assets is included in the "finance income".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets - accounting policies applied since 1 January 2018 (Continued)

(b) Recognition and measurement (Continued)

Equity instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other gains/(losses), net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

For other receivables and deposits, the Group applies a forward looking basis and the expected credit losses associated and adopted three-stages approach to assess the impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets

2.13 Financial assets - accounting policies applied until 31 December 2017

Until 31 December 2017 the Group classifies its financial assets as loans and receivables.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(a) Reclassification

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

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

(b) Subsequent measurement

The measurement at initial recognition did not change on adoption of HKFRS 9, see description above. Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (continue)

2.13 Financial assets - accounting policies applied until 31 December 2017(continue)

(c) Impairment

Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the borrower' s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists. For loans and receivables category, the amount of the loss is measured as the difference between the asset' s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset' s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument' s fair value using an observable market price.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are classified as "restricted cash". Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortised cost using the effective interest method. See Note 3.1(iv) for the description of the impairment policies. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

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

2.20 Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.22 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company' s subsidiaries and a joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, joint ventures and associates, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services performed in the ordinary course of the Group's companies. The Group recognises revenue when control of goods or services transfers to the customers.

(a) Sales of properties and provision of services

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

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

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

(b) Sales of goods

Revenue are recognised when control of the product to has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.26 Employee benefits

(a) Pension obligations

The Group operates a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Group and the employees are required to contribute 5% of the employees relevant income up to a maximum of HK$1,500 per employee per month.

The Group also participates in an employee social security plan (the "Plan") as required by the regulations in the PRC. The Group is required to make welfare contributions to the Plan which is based on certain percentage of the employees' relevant income.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The expected cost of bonus plan is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.27 Financial guarantee liabilities

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within general and administrative expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Financial guarantee liabilities (continue)

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

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and cash flow and fair value interest rate risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management of each individual entity within the Group.

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to HK$ and United States dollars ("US$").

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose it to material foreign exchange risk. Other than certain bank balances and bank borrowings, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB. The Group does not hedge its exposure to the foreign currencies.

As at 31 December 2018 and 2017, certain of the Group's cash and bank balances were denominated in HK$, US$ and Australian Dollar ("AUD"), details of which have been disclosed in Note 20.

As at 31 December 2018 and 2017, the Group was exposed to foreign exchange risk primarily with respect to the potential effects on profit or loss included the impacts from translation in intercompany balances which are not denominated in functional currency of respective group companies.

RMB depreciation against HK$ and US$ during the year is the major reason for the exchange differences recognised by the Group. Further appreciation of HK$ and US$ against RMB will affect the Group's financial position and results of operations.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(i) *Foreign exchange risk (Continued)*

The following table shows that, if RMB had strengthened/weakened by 5% against HK$, with all other variables held constant, post-tax profit for the year change, mainly as a result of foreign exchange losses/gains on translation of RMB denominated amounts due from/(to) fellow subsidiaries in group entities which their functional currencies are HK$.

	2018 RMB' 000	2017 RMB' 000
Post-tax profit (decrease)/increase		
RMB strengthened by 5%	**77,344**	(4,393)
RMB weakened by 5%	**(77,344)**	4,393

The US$ denominated borrowings (Note 24) is in the Company which functional currency is HK$, since HK$ is pegged to US$, there is no significant foreign exchange risk with respect to US$ to the Company.

(ii) *Cash flow and fair value interest rate risks*

Except for bank deposits with variable interest, the Group has no other significant interest-bearing assets.

The Group' s exposure to changes in interest rates is mainly attributable to its borrowings from bank. Bank borrowings of variable rates expose the Group to cash flow interest rate risk. The senior notes at a fixed rate expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 24.

Management does not anticipate significant impact to the senior notes resulted from the changes in market interest rates. Moreover, given the stability of the interest rate in the recent financial market, in the opinion of the directors, the exposure of the senior notes to fair value interest rate risk is considered to be low. Therefore no sensitivity analysis is performed.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risks (Continued)

At 31 December 2018 and 2017, if interest rates on borrowings at floating rates had been 100 basis points higher/lower with all other variables held constant, the post-tax profit and capitalised interest for the years ended 31 December 2018 and 2017 would have changed as follows:

	2018 RMB' 000	2017 RMB' 000
Post-tax profit (decrease)/increase		
– 100 basis points higher	**(3,126)**	(1,368)
– 100 basis points lower	**3,126**	1,368
Capitalised interest increase/(decrease)		
– 100 basis points higher	**60,170**	46,766
– 100 basis points lower	**(60,170)**	(46,766)

(iii) Liquidity risk

In managing the liquidity risk, the Group regularly and closely monitors its current and expected liquidity requirements to maintain its rolling cash flow at a level which is considered adequate by the Group to finance the Group' s operations and to maintain sufficient cash to meet its business development requirements. The management will closely monitor the compliance stated of the covenants for all borrowings.

Management has periodically prepared cash flow projections and the Group has a number of alternative plans to offset the potential impact on the Group' s business development and current operation, should there be circumstances that the anticipated cash flow may be affected by any unexpected changes in the PRC economic conditions. The Company' s directors consider that the Group will be able to maintain sufficient financial resources to meet its needs. Unused facilities of the Group as of 31 December 2018 and 2017 have been disclosed in Note 24.

The table below analyses the Group' s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2018						
Term loans subject to repayment on demand clause	150,268	–	–	–	–	150,268
Bank and other borrowings and interest payments	–	4,405,798	3,221,994	526,503	–	8,154,295
Senior notes and interest payments	–	2,266,017	1,517,228	–	–	3,783,245
Trade and other payables (excluding non-financial liabilities)	–	5,508,776	–	–	–	5,508,776
Amounts due to non-controlling interests	2,123,659	–	–	–	–	2,123,659
Amounts due to joint ventures	23,756	–	–	–	–	23,756
Amount due to an associate	66,000	–	–	–	–	66,000
Financial guarantees (Note 31)	–	2,056,505	1,785,421	2,085,298	5,580	5,932,804
	2,363,683	14,237,096	6,524,643	2,611,801	5,580	25,742,803

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017						
Term loans subject to repayment on demand clause	163,836	–	–	–	–	163,836
Bank and other borrowings and interest payments	–	1,732,358	2,319,812	1,965,593	–	6,017,763
Senior notes and interest payments	–	1,747,551	–	–	–	1,747,551
Trade and other payables (excluding non-financial liabilities)	–	1,788,511	–	–	–	1,788,511
Amounts due to non-controlling interests	116,414	–	–	–	–	116,414
Amounts due to joint ventures	140,209	–	–	–	–	140,209
Financial guarantees (Note 31)	–	1,401,594	2,542,389	2,100,581	7,874	6,052,438
	420,459	6,670,014	4,862,201	4,066,174	7,874	16,026,722

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the term loans with a repayment on demand clause based on agreed repayment schedules set out in the loan agreements. The amounts include interest payments computed using contractual rates.

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Total RMB' 000
31 December 2018	31,698	130,479	—	162,177
31 December 2017	29,048	28,236	117,182	174,466

(iv) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, trade receivables, other receivables, contract assets, other financial assets at amortised costs and amounts due from joint ventures, associates and non-controlling interests.

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, other receivables, contract assets, other financial assets at amortised costs and amounts due from joint ventures, associates and non-controlling interests represent the Group' s maximum exposure to credit risk in relation to financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group' s outstanding balance of other receivables.

All the bank deposits are placed with banks with sound credit ratings to mitigate the risk. The Group does not hold any collateral as security.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in Note 31(a). If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customers' deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group' s credit risk is largely mitigated.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(iv) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower' s ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(a) Credit risk of cash and cash equivalents and restricted cash

To manage this risk arising from cash and bank deposits, the Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss of cash and bank balances is close to zero.

(b) Credit risk of trade receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. The expected losses rate is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates.

The Group monitors the outstanding debts from its customers individually. Based on historical repayment trend, there is no correlation between the risk of default occurring and the collection past-due status as long as there is no significant change in the credit rating of the customers. The Group' s loss arising from risk of default and time value of money is negligible.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Credit risk (Continued)

(c) Credit risk of other receivables and deposits (excluding prepayments)

The Group assess on a forward looking basis the expected credit losses associated with its other receivables and deposits carried at amortised cost and adopted three-stages approach to assess the impairment.

As at 31 December 2018, the loss allowance provision was RMB50,260,000 (1 January 2018: RMB31,915,000).

(d) Credit risk of amounts due from joint ventures, associates and non-controlling interests

The Group assesses on a forward looking basic the expected credit losses associated with its amounts due from joint ventures, associates and non-controlling interests. Carried at amortised cost and adopted three-stages approach to assess the impairment. Those parties have a low risk of default and a capacity to meet contractual cash flows. The expected losses rate is minimal, given there is no history of significant defaults and insignificant impact from forward-looking estimates.

3.2 Capital risk management

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

The Group manages the capital structure and makes adjustment to it in light of changes in economic condition.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or to obtain bank and other borrowings.

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balance (including cash and cash equivalent and restricted cash). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 **RMB' 000**	2017 RMB' 000
Total borrowings (Note 24)	**11,059,681**	7,243,219
Less:Cash and cash equivalents and restricted cash (Note 20)	**(7,865,002)**	(4,905,512)
Net debt	**3,194,679**	2,337,707
Total equity	**6,665,418**	4,609,300
Total capital	**9,860,097**	6,947,007
Gearing ratio	**32%**	34%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 *Fair value estimation*

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair values of the trade receivables, other receivables and deposits, cash and cash equivalents, restricted cash, amounts due from non-controlling interests, amounts due from joint ventures, amounts due from associates, trade and other payables, amounts due to non-controlling interests and amounts due to joint ventures at 31 December 2018 approximate their carrying amounts due to their short term maturities.

See Note 14 for disclosures of the investment properties that is measured at fair value.

All the resulting fair value estimates are included in level 3 of the fair value hierarchy.

There were no transfers among levels 1, 2 and 3 during the year.

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.

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 addressed below.

4.1 *Valuation of investment properties*

The Group carries its investment properties at fair value with changes in the fair value recognised in the consolidated statement of profit or loss. The fair value of investment properties were determined by using valuation technique and management updates their assessment of the fair value of the investment properties, taking into account the key valuation assumptions. Details of the judgments and assumptions have been disclosed in Note 14.

4.2 *Classification of investments*

The Group made investments that involved complex terms and arrangements during the year. Judgement is required in determining the appropriate classification for these investments including assessing the relevant activities of the investee companies and its decisions making process on those activities that involving the Group, if any and its other investors, the rights and power of the Group and other investors on the investee companies and the Group's returns from the investments. Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated financial statements of the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.3 Provision for impairment of properties held for sale and properties under development

The management makes provision for impairment of properties held or under development for sale based on the estimate of the recoverable amount of the properties. Given the volatility of the property market in the PRC, the actual recoverable amount may be higher or lower than the estimate made as at the end of the reporting period. Any increase or decrease in the provision would affect the Group' s operating performance in future years.

4.4 Current taxation and deferred taxation

The Group is subject to taxation in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are transactions and calculations for which the ultimate tax determination is uncertain (for example, certain expenses such as entertainment and advertising expenses may not be finally deductible) 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 periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

4.5 Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management' s best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

5 REVENUE AND SEGMENT INFORMATION

The Executive Directors have been identified as the CODM. Management determines the operating segments based on the Group's internal reports, which are submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors consider the business from a geographical perspective and assess the performance of property development in four reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Pearl River Delta Region and Others. The Group's construction and sea reclamation services and hotel operations are considered together with the property development segments and included in the relevant geographic operating segment. "Others" segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal or external customers) and trading of construction materials.

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of depreciation, share of profit of investments accounted for using the equity method, net, finance income, finance costs and income tax expense. Other information provided, except as noted below, to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB' 000	Central and Western Regions RMB' 000	Bohai Economic Rim RMB' 000	Pearl River Delta Region RMB' 000	Others RMB' 000	Total RMB' 000
Year ended 31 December 2018						
Revenue from contracts with contracts						
– recognised at a point in time	1,634,976	602,983	4,177,648	3,510	278,387	6,697,504
– recognised over time	701	—	34,215	—	15,712	50,628
Less: Inter-segment revenue	—	—	—	—	(12,201)	(12,201)
Revenue (from external customers)	1,635,677	602,983	4,211,863	3,510	281,898	6,735,931
Segment results	521,751	59,704	1,688,661	(38,562)	(108,582)	2,122,972
Depreciation	(2,877)	(1,907)	(1,712)	(636)	(3,199)	(10,331)
Operating profits/(losses)	518,874	57,797	1,686,949	(39,198)	(111,781)	2,112,641
Share of profit of investments accounted for using the equity method, net	78,064	(4,903)	(5,483)	—	9,790	77,468
Finance income	32,783	33,965	16,747	1,186	10,344	95,025
Finance costs	(3,936)	—	—	—	(67,726)	(71,662)
Income tax expense	(208,317)	40,629	(730,546)	28,832	(47,642)	(917,044)
Profit/(loss) for the year	417,468	127,488	967,667	(9,180)	(207,015)	1,296,428
At 31 December 2018						
Total segment assets	9,710,114	8,631,983	11,979,372	1,281,252	3,374,164	34,976,885
Other unallocated corporate assets						169,421
Total assets						35,146,306
Investments accounted for using the equity method	347,123	217,222	—	—	135,949	700,294
Additions to:						
Property, plant and equipment	4,977	4,512	9,094	648	171,319	190,550
Total segment liabilities	(6,164,843)	(4,601,789)	(9,108,750)	(847,195)	(7,758,311)	(28,480,888)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB' 000	Central and Western Regions RMB' 000	Bohai Economic Rim RMB' 000	Pearl River Delta Region RMB' 000	Others RMB' 000	Total RMB' 000
Year ended 31 December 2017						
Total revenue	1,719,155	2,731,163	1,829,283	449,731	18,000	6,747,332
Less: Inter-segment revenue	—	—	—	—	(13,265)	(13,265)
Revenue (from external customers)	1,719,155	2,731,163	1,829,283	449,731	4,735	6,734,067
Segment results	183,385	702,674	634,102	106,165	(78,516)	1,547,810
Depreciation	(2,512)	(438)	(1,283)	(585)	(1,779)	(6,597)
Operating profits/(losses)	180,873	702,236	632,819	105,580	(80,295)	1,541,213
Share of profit of investments accounted for using the equity method, net	77,822	—	—	—	5,048	82,870
Finance income	10,461	21,904	9,046	1,052	2,266	44,729
Finance costs	—	—	—	—	(70,945)	(70,945)
Income tax expense	(80,269)	(284,012)	(176,731)	(9,837)	(56,886)	(607,735)
Profit/(loss) for the year	188,887	440,128	465,134	96,795	(200,812)	990,132
At 31 December 2017						
Total segment assets	3,380,938	4,648,435	8,948,799	1,305,368	1,587,160	19,870,700
Other unallocated corporate assets						1,307
Total assets						19,872,007
Investments accounted for using the equity method	751,436	188,783	—	213	94,809	1,034,521
Additions to: Property, plant and equipment	7,707	845	1,175	1,123	843	11,693
Total segment liabilities	(2,723,517)	(1,435,831)	(5,867,006)	(515,554)	(4,720,799)	(15,262,707)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) *The Group revenue consists of the following:*

	2018 RMB' 000	2017 RMB' 000
Sales of properties	**6,419,117**	6,324,976
Construction and sea reclamation services	**34,215**	378,443
Project management	**3,952**	30,648
Trading of construction materials	**277,946**	—
Healthcare service	**701**	—
	6,735,931	6,734,067

(b) *Analysis of the Group revenue by geographical market is as follows:*

	2018 RMB' 000	2017 RMB' 000
PRC	**6,460,872**	6,734,067
Hong Kong	**275,059**	—
	6,735,931	6,734,067

During the year ended 31 December 2018, revenue recognised in relation to the sales of properties to a customer (the "Customer A") accounted for 12.4% of the Group's revenue. Customer A is a group of companies under common control by two independent third party individuals and not connected with the Group. These individuals also had non-controlling interests in certain subsidiaries of the Group. Both their interests and the subsidiaries are not significant to the Group.

Customer A, who is also an investment partner of the Group for a potential property development project in the PRC, has balance with the Group as at 31 December 2018 with further details in Note 19(b) and 25(b).

(c) *Details of contract assets is as follows:*

	2018 RMB' 000	2017 RMB' 000
Accrued contract revenue	**700,000**	—

As of 31 December 2018, the contract assets of RMB700,000,000 are related to sea reclamation service provided to the PRC government and were previously included in trade and other receivables and deposits (Note 19(d)).

(d) *Unsatisfied contracts related to the sales of properties*

As at 31 December 2018, approximately RMB7,471,196,000 of unsatisfied performance obligations resulting from the property sales are expected to be recognised within twleve months period, whereas approximately RMB 5,130,385,000 of unsatisfied performance obligations resulting from the property sales are expected to be recognised after twleve months.

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and general and administrative expenses are analysed as follows:

	2018 RMB' 000	2017 RMB' 000
Auditor' s remuneration		
– Audit services	4,564	3,764
– Non-audit services	779	519
Cost of properties sold	4,031,933	4,851,390
Cost of construction and sea reclamation service	34,085	97,768
Cost of project management and property investment	334	—
Cost of healthcare service	93	—
Cost of construction material sold	247,882	—
Depreciation of property, plant and equipment (Note 11)	9,930	6,597
Employee benefit expenses (Note 8)	242,452	146,193
Entertainment	29,896	20,285
Marketing and advertising costs	93,481	129,559
Operating lease payments	2,290	6,099
Office and travelling expenses	77,766	45,202
Business taxes and surcharges	33,884	107,252
Land use and real estate taxes	1,024	8,088
Legal and professional fees	85,781	38,971
Donation	1,130	630
Impairment loss on other receivables	18,345	—
Others	40,282	24,235
Total cost of sales, selling and marketing expenses and general and administrative expenses	4,955,931	5,486,552

7 OTHER GAINS/(LOSSES), NET

	2018 RMB' 000	2017 RMB' 000
Gain on disposal of a subsidiary	—	1,566
Gain on disposal of assets and liabilities held for sales (Note 29)	304,271	—
Gain on disposal of investment in a joint venture (Note 15(d))	—	11,752
Remeasurement gains on interests in investments accounted for using the equity method (Note 28)	14,999	—
Gains on bargain purchase arising from acquisition of subsidiaries	—	1,150
Gain on disposal of property, plant and equipment	351	226
Exchange losses	(126,423)	(33,939)
Realised gain on a foreign exchange forward contract	50,475	—
Penalties income	2,804	2,905
Others	1,992	537
	248,469	(15,803)

8 EMPLOYEE BENEFIT EXPENSES

	2018 RMB' 000	2017 RMB' 000
Salaries and allowances	**218,186**	124,843
Sale commission and bonuses	**30,826**	32,226
Pension costs (Note a)	**24,655**	14,452
Other staff welfare	**29,499**	14,089
	303,166	185,610
Less: Capitalised in properties under development	**(60,714)**	(39,417)
	242,452	146,193

(a) Pension costs – Defined Contribution Plan

Employees in the Group' s PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group' s PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, subject to a ceiling of HK$1,500 per month per head.

Details of the retirement scheme contributions, which have been dealt with in the consolidated statement of profit or loss are as follows:

	2018 RMB' 000	2017 RMB' 000
Gross scheme contributions	**24,655**	14,452
Less: capitalised in properties under development	**(5,164)**	(3,425)
	19,491	11,027

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 include three (2017: three) directors whose emoluments are reflected in the analysis presented in Note 37. The emoluments payable to the remaining two (2017: two) individuals during the year are as follows:

	2018 RMB' 000	2017 RMB' 000
Salaries and other short-term benefits	2,934	3,111
Retirement scheme contributions	61	50
	2,995	3,161

The emoluments fall within the following bands:

	2018	2017
HK$1,000,001 to HK$2,000,000 (equivalent to RMB865,201 to RMB1,730,400)	2	2

9 FINANCE INCOME AND COSTS

	2018 RMB' 000	2017 RMB' 000
Finance income from bank deposits	32,512	19,012
Finance income from a loan to an associate (Note 15(a))	25,000	6,250
Finance income from loans to non-controlling interests (Note 33)	32,883	19,467
Finance income from a loan to a third party (Note 19)	4,630	—
	95,025	44,729
Finance costs on bank and other borrowings	719,022	351,920
Finance costs on loans from non-controlling interests	20,938	—
Less: finance costs capitalised in qualifying assets	(681,580)	(339,006)
	58,380	12,914
Finance charges on early redemption of senior notes (Note 24)	13,282	58,031
	71,662	70,945
Weighted average interest rate on capitalised borrowings (per annum)	7.13%	7.49%

10 INCOME TAX EXPENSE

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the year ended 31 December 2018 (2017: 25%).

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the year ended 31 December 2018 (2017: Nil).

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	2018 RMB' 000	2017 RMB' 000
Current income tax		
PRC corporate income tax	**747,694**	392,597
PRC land appreciation tax	**381,902**	179,038
Deferred income tax (Note 16)	**(212,552)**	36,100
	917,044	607,735

The tax on the Group' s profit before income tax differs from the theoretical amount that would arise by applying the statutory tax rate in the PRC to profits of the group companies as follows:

	2018 RMB' 000	2017 RMB' 000
Profit before income tax	**2,213,472**	1,597,867
Calculated at PRC Corporate income tax rate of 25%	**553,368**	399,467
Expenses not deductible for tax purpose	**65,471**	32,078
Income not subject to taxation	**(41,855)**	(26,418)
Unrecognised tax losses	**15,548**	8,947
Provision for land appreciation tax	**381,902**	179,038
Tax effect on land appreciation tax	**(95,476)**	(44,760)
Tax effect of withholding tax on the distributable profits of the Group' s PRC subsidiaries	**38,086**	59,383
Income tax expense	**917,044**	607,735

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB' 000	Furniture and office equipment RMB' 000	Motor vehicles RMB' 000	Buildings RMB' 000	Total RMB' 000
Year ended 31 December 2017					
Opening net book amount	19,755	6,591	5,077	—	31,423
Additions	4,702	4,387	2,604	—	11,693
Acquisitions of subsidiaries	—	357	597	—	954
Disposals	—	(80)	(638)	—	(718)
Disposal of a subsidiary	—	(4)	—	—	(4)
Depreciation	(1,457)	(2,346)	(3,028)	—	(6,831)
Assets classified as held for sale (Note 21)	—	(134)	(332)	—	(466)
Exchange differences	(1)	(5)	444	—	438
Closing net book amount	22,999	8,766	4,724	—	36,489
As at 31 December 2017					
Cost	32,643	21,672	19,147	—	73,462
Accumulated depreciation	(9,644)	(12,906)	(14,423)	—	(36,973)
Net book amount	22,999	8,766	4,724	—	36,489
Year ended 31 December 2018					
Opening net book amount	**22,999**	**8,766**	**4,724**	**—**	**36,489**
Additions	**10,019**	**7,107**	**5,673**	**167,751**	**190,550**
Acquisitions of subsidiaries (Note 28)	**—**	**3,657**	**68**	**—**	**3,725**
Transfer from an associate (Note 28)	**68**	**49**	**—**	**—**	**117**
Transfer from joint ventures (Note 28)	**515**	**26**	**512**	**—**	**1,053**
Disposals	**(87)**	**(32)**	**(177)**	**—**	**(296)**
Depreciation	**(1,437)**	**(3,917)**	**(3,076)**	**(1,901)**	**(10,331)**
Exchange differences	**—**	**2**	**(9)**	**—**	**(7)**
Closing net book amount	**32,077**	**15,658**	**7,715**	**165,850**	**221,300**
As at 31 December 2018					
Cost	**43,215**	**31,863**	**22,708**	**167,751**	**265,537**
Accumulated depreciation	**(11,138)**	**(16,205)**	**(14,993)**	**(1,901)**	**(44,237)**
Net book amount	**32,077**	**15,658**	**7,715**	**165,850**	**221,300**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charges were capitalised or expensed in the following categories in the consolidated balance sheet and the consolidated statement of profit or loss:

	2018 RMB' 000	2017 RMB' 000
Properties under development for sale	**401**	234
General and administrative expenses (Note 6)	**9,930**	6,597
	10,331	6,831

12 GOODWILL

	RMB' 000
Year ended 31 December 2017	
Opening net book amount	49,535
Impairment of goodwill	(49,535)
Closing net book amount	—
At 31 December 2017	
Cost	138,659
Accumulated impairment	(138,659)
Net book amount	—
Year ended 31 December 2018	
Opening net book amount	—
Impairment of goodwill	—
Closing net book amount	—
At 31 December 2018	
Cost	—
Accumulated impairment	—
Net book amount	—

13 SUBSIDIARIES

(a) Details of the principal subsidiaries at 31 December 2018 are set out below:

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
力高地產控股有限公司	Redco Properties Holdings Limited	The British Virgin Islands ("BVI")	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar and 1 ordinary share of nil consideration, US$1	100%	100%	–
力創國際發展有限公司	Power Creation International Development Limited	BVI	Limited liability company	Investment holding	100 ordinary shares of 1 US dollar each, US$100	–	100%	–
利達集團有限公司	Maxprofit Globe Holdings Limited	BVI	Limited liability company	Investment holding	100 ordinary shares of 1 US dollar each, US$100	–	100%	–
力泉國際投資有限公司	Power Spring International Investments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
盛高置業投資有限公司	Top Thrive Real Estates Investments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
創高環球投資有限公司	Top Creation Worldwide Investments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
偉力國際發展有限公司	Wei Li International Developments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
盛業國際投資有限公司	Shengye International Investments Company Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
基業國際投資有限公司	Jiye International Investments Company Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
力高集團(香港)有限公司	Redco Holdings (Hong Kong) Co. Limited	Hong Kong	Limited liability company	Investment holding	100,000 ordinary shares of 1 HK dollar each, HK$100,000	–	100%	–
力盛國際投資有限公司	Power Thrive International Investment Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
力高投資(國際)有限公司	Redco Investment (International) Company Limited	Hong Kong	Limited liability company	Investment holding	10,000 ordinary shares of 1 HK dollar each, HK$10,000	–	50% (Note (i))	50%
興達國際實業有限公司	Bloom Trend International Industrial Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
力高實業投資有限公司	Redco Industrial Investment Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
香港御高投資有限公司	Hong Kong Royal Lofty Investments Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
香港濱江實業有限公司	Hong Kong Bingjiang Industrial Limited	Hong Kong	Limited liability company	Investment holding	150,000,000 ordinary shares of 1 HK dollar each, HK$150,000,000	–	100%	–
香港榮力發展有限公司	Hong Kong Wing Power Developments Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
香港力宏投資有限公司	Hong Kong Power Profit Investments Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
香港盛業投資有限公司	Hong Kong Shengye Investments Company Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
香港基業控股有限公司	Hong Kong Jiye Holdings Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
江西萬和房地產開發有限公司	Jiangxi Man Wo Property Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK$300,000,000 Paid up HK$300,000,000	–	100%	–
江西力高房地產開發有限公司	Jiangxi Redco Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	100%	–
江西崇德房地產開發有限公司	Jiangxi Chong De Real Estate Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK$200,000,000 Paid up HK$200,000,000	–	100%	–
江西政力房地產開發有限公司	Jiangxi Zhengli Property Development Co,. Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB200,000,000 Paid up RMB200,000,000	–	51%	49%
江西力達房地產開發有限公司	Jiangxi Lida Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	–	78%	22%
江西怡居房地產開發有限公司	Jiangxi Yiju Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB80,000,000 Paid up RMB80,000,000	–	51%	49%

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
江西力高旅遊文化產業有限公司	Jiangxi Redco Travel Cultural Real Estate Co,. Ltd	PRC	Limited liability company	Investment holdings in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	100%	–
江西納裕實業有限公司	Jiangxi Nayu Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB12,000,000 Paid up RMB12,000,000	–	51%	49%
南昌欣榮房地產開發有限公司	Nanchang Xinrong Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	30% (Note (ii))	70%
江西力高國誠地產開發有限公司	Jiangxi Redco Guocheng Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	20%(Note (iv))	80%
江西城高房地產開發有限公司	Jiangxi Chenggao Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB1,000,000	–	80%	20%
江西力帆房地產開發有限公司	Jiangxi Lifan Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	–	100%	–
江西資力房地產開發有限公司	Jiangxi Zili Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	51%	49%
南昌高遠房地產開發有限公司	Nanchang Gaoyuan Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	–	90%	10%
江西力瑞房地產開發有限公司	Jiangxi Lirui Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up nil	–	51%	49%
江西生命陽光城投資股份有限公司	Jiangxi Life Sunshine City Investment Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	–	100%	–
上海力高瀾湖實業發展有限公司	Shanghai Redco Lanhu Industry Development Co., Ltd.	PRC	Limited liability company	Investment holdings in the PRC	Registered RMB10,000,000 Paid up nil	–	100%	–
寧波力卓置業有限公司	Ningbo Lizhuo Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	–	46.3% (Note (v))	53.7%
寧波余姚晟明房地產開發有限公司	Ningbo Yu Yao Sheng Ming Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB166,000,000 Paid up RMB163,340,000	–	32.5% (Note (v))	67.5%

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
寧波余姚晟業機器人科技有限公司	Ningbo Yu Yao Sheng Ye Machinery Technology Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB60,600,000 Paid up RMB60,000,000	–	32.5% (Note (v))	67.5%
寧波余姚雲晟機器人科技有限公司	Ningbo Yu Yao Yun Sheng Machinery Technology Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB98,560,000	–	32.5% (Note (v))	67.5%
南通市旭高置業有限公司	Nantong Xugao Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered US$163,270,000 Paid up US$163,270,000	–	49% (Note (iii))	51%
蘇州雲彩鴻佑實業有限公司	Suzhou Yuncai Hongye Industry Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	49% (Note (vi))	51%
力高(天津)地產有限公司	Redco (Tianjin) Real Estate Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK$490,000,000 Paid up HK$490,000,000	–	100%	–
天津力高宏業投資有限公司	Tianjin Redco Hongye Investment Co., Ltd.	PRC	Wholly owned foreign enterprise	Investment holdings in the PRC	Registered US$298,000,000 Paid up US$298,000,000	–	100%	–
天津力高基業有限公司	Tianjin Redco Jiye Co., Ltd.	PRC	Wholly owned foreign enterprise	Investment holdings in the PRC	Registered RMB 1,217,064,630 Paid up RMB 1,217,064,630	–	100%	–
天津力高興業文化傳播有限公司	Tianjin Redco Xingye Cultural Dissemination Co., Ltd.	PRC	Wholly owned foreign enterprise	Investment holdings in the PRC	Registered RMB600,000,000 Paid up RMB593,793,509	–	100%	–
天津市力高偉盛實業有限公司	Tianjin Redco Weisheng Industry Development Company Limited	PRC	Limited liability company	Investment holdings in the PRC	Registered RMB26,666,700 Paid up nil	–	37.5% (Note (vii))	62.5%
天津力高大道置業發展有限公司	Tianjin Redco Dadao Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB30,000,000 Paid up RMB 30,000,000	–	48% (Note (viii))	52%
天津博瑞房地產開發有限公司	Tianjin Borui Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB40,000,000 Paid up RMB40,000,000	–	22.5% (Note (ix))	–
煙台力高置業有限公司	Yantai Redco Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered US$101,000,000 Paid up US$101,000,000	–	100%	–
山東力高江浩房地產有限公司	Shandong Redco Jianghao Real Estate Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	100%	–

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
山東新廣友置業有限公司	Shandong Xin Guangyou Properties Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB36,734,600 Paid up RMB36,734,600	–	51%	49%
濟南力高偉盛地產開發有限公司	Jinan Redco Weisheng Property Development Co.Ltd	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered RMB100,000,000 Paid up RMB 100,000,000	–	80%	20%
山東嘉力置業有限公司	Shandong Jiali Real Estate Co,. Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	80%	20%
山東力高錦盛基業房地產開發有限公司	Shangdong Redco Jinsheng Jiye Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up nil	–	100%	–
山東力高凱力房地產有限公司	Shandong Redco Kaili Real Estate Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered US$23,529,400 Paid up US$20,000,000	–	85%	15%
濟南東風置業有限公司	Jinan Dongfeng Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	–	90%	10%
山東力高天潤房地產有限公司	Shandong Redco Tianrun Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	60%	40%
力高(中國)地產有限公司	Redco (China) Real Estate Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered HK$100,000,000 Paid up HK$100,000,000	–	100%	–
泉州麗興房地產開發有限公司	Quanzhou Lixing Real Estate Development Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered RMB30,000,000 Paid up RMB30,000,000	–	33% (Note (x))	67%
泉州力投房地產開發有限公司	Quanzhou Litou Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	–	100%	–
咸陽力高房地產有限公司	Xianyang Redco Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	–	70%	30%
咸陽樺洋里置業有限公司	Xianyang Huayangli Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB 3,000,000 Paid up RMB 3,000,000	–	30% (Note (xi))	–
長豐聯華置業有限公司	Changfeng Lianhua Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,750,000 Paid up RMB50,750,000	–	80%	20%

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
合肥力高宏業地產開發有限公司	Hefei Redco Hongye Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	100%	–
合肥力高偉盛地產開發有限公司	Heifei Redco Weisheng Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	–	80%	20%
合肥力城置業有限公司	Hefei Licheng Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	70%	30%
合肥磐瑞置業有限公司	Hefei Panrui Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	100%	–
合肥智越置業有限公司	Hefei Zhiyue Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	100%	–
合肥同鑄置業有限公司	Hefei Tongzhu Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up nil	–	100%	–
深圳興居貿易有限公司	Shenzhen Xingju Trading Co., Ltd.	PRC	Limited liability company	Trading in the PRC	Registered RMB1,000,000 Paid up RMB1,000,000	–	100%	–
深圳市今典設計顧問有限公司	Shenzhen Jindian Design Consulting Co., Ltd.	PRC	Limited liability company	Construction design consulting in the PRC	Registered RMB500,000 Paid up RMB500,000	–	100%	–
深圳創信工程造價諮詢有限公司	Shenzhen Chuangxin Construction Cost Consulting Co., Ltd.	PRC	Limited liability company	Construction cost consulting in the PRC	Registered RMB1,000,000 Paid up RMB1,000,000	–	100%	–
深圳市力高大道置業有限公司	Shenzhen Redco Dadao Real Estate Co. Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	51%	49%
深圳力高偉力實業發展有限公司	Shenzhen Redco Weili Shiye Development Co,. Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	100%	–
深圳市力高宏業新興產業服務有限公司	Shenzhen Redco Hongye Xinxing Real Estate Service Co., Ltd	PRC	Limited liability company	Operation and management of investment projects in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	100%	–

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Name of companies		Place of incorporation/ establishment	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by the Company (%)	Ownership interest held by the Group (%)	Ownership interest held by non-controlling interests (%)
中山市浩域房地產開發有限公司	Zhongshanshi Haoyu Real Estate Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	70%	30%
中山市金田房地產實業發展有限公司	Zhongshan Jintian Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB3,333,400 Paid up RMB3,333,400	–	70%	30%
清遠市耀威置業有限公司	Qingyuan Yaowei Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB 10,204,082 Paid up RMB 10,204,082	–	51%	49%
武漢力高置業有限公司	Wuhan Redco Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	–	100%	–
武漢鳳翔島房地產開發有限公司	Wuhan Feng Xiang Dao Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB200,000,000 Paid up RMB200,000,000	–	70%	30%
武漢同信益置業有限公司	Wuhan Tong Xin Yi Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	40% (Note (xii))	60%

Note:

(i) Although the Group owns not more than half of the equity interest in Redco Investment (International) Co., Ltd. ("Redco Investment"), it is able to control the financing and operating decisions since the Group and the other shareholder agreed that the directors of the Group have the casting vote in the Board of Directors' meeting for resolution of operating and major decisions. The decision are made by simple majority. It follows that the Group should consolidate Redco Investment as a subsidiary in the Group's financial statements.

(ii) As the 70% shareholder of Nanchang Xinrong Property Development Co., Ltd ("Nanchang Xinrong") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Nanchang Xinrong and appoints 2 out of 3 directors of the board of Nanchang Xinrong. The decisions are made by simple majority. It follows that the Group should consolidate Nanchang Xinrong as a subsidiary in the Group's financial statements.

(iii) Although the Group owns 49% of the equity interest in Nantong Xugao Property Co., Ltd ("Nantong Xugao"), the 51% shareholder of Nantong Xugao has granted its voting rights to the Group. The Group owns more than half of the voting rights in Nantong Xugao. The operating decision are made by simple majority. It follows that the Group should consolidate Nantong Xugao as a subsidiary in the Group's financial statements.

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2018 are set out below: (Continued)

Note: (Continued)

(iv) Although the Group owns not more than half of the equity interest in Jiangxi Redco Guocheng Real Estate Development Co., Ltd. ("Jiangxi Redco Guocheng"), it is able to control more than one half of the voting rights by virtue of the fact that more than half of the directors of these two companies are elected by the Group and the board of Jiangxi Redco Guocheng is able to direct the activities which significantly affect the returns. The decisions are made by simple majority. The board composition can only be altered with the consent of the 2 shareholders of Jiangxi Redco Guocheng. It follows that the Group should consolidate Jiangxi Redco Guocheng as subsidiaries in the Group' s financial statements.

(v) As the 53.7% shareholder of Ningbo Lizhuo Property Co., Ltd. ("Ningbo Lizhuo") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Ningbo Lizhuo. The decisions are made by simple majority. It follows that the Group should consolidate Ningbo Lizhuo as a subsidiary in the Group' s financial statements.

Given Ningbo Lizhuo is a subsidiary of the Group, its subsidiaries, Ningbo Yu Yao Sheng Ming Property Development Co Ltd, Nongbo Yu Yao Sheng Ye Machinery Technology Co., Ltd and Ningbo Yu Yao Yun Sheng Machinery Technology Co., Ltd., are also the indirectly owned subsidiaries of the Group.

(vi) As the 18% shareholder of Suzhou Yuncai Hongye Industry Development Compnay Limited ("Suzhou Yuncai") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Suzhou Yuncai. The decisions are made by simple majority. It follows that the Group should consolidate Suzhou Yuncai as a subsidiary in the Group' s financial statements.

(vii) As the 62.5% shareholder of Tianjin Redco Weisheng Industry Development Compnay Limited ("Tianjin Weisheng") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Tianjin Weisheng. The decisions are made by simple majority. It follows that the Group should consolidate Tianjin Weisheng as a subsidiary in the Group' s financial statements.

(viii) As the 3% shareholder of Tianjin Redco Dadao Real Estate Development Co., Ltd ("Tianjin Dadao") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Tianjin Dadao. The decisions are made by simple majority. It follows that the Group should consolidate Tianjin Dadao as a subsidiary in the Group' s financial statements.

(ix) As the 28% shareholder of Tianjin Borui Real Estate Development Co., Ltd ("Tianjin Borui") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Tianjin Borui. The decisions are made by simple majority. It follows that the Group should consolidate Tianjin Borui as a subsidiary in the Group' s financial statements.

(x) As the 18% shareholder of Quanzhou Lixing Real Estate Development Co., Ltd. ("Quanzhou Lixing") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Quanzhou Lixing. The decisions are made by simple majority. It follows that the Group should consolidate Quanzhou Lixing as a subsidiary in the Group' s financial statements.

(xi) As the 69% shareholder of Xianyang Huayangli property Co., Ltd. ("Xianyang Huayangli") has granted 21% voting rights of Xianyang Huayangli to the Group, the Group owns more than half of the voting rights in Xianyang Huayangli. The decisions are made by simple majority. It follows that the Group should consolidate Xianyang Huayangli as a subsidiary in the Group' s financial statements.

(xii) As the 60% shareholder of Wuhan Tongxinyi Real Estate Development Co., Ltd. ("Wuhan Tongxinyi") has granted 11% voting rights of Wuhan Tongxinyi to the Group, the Group owns more than half of the voting rights in Wuhan Tongxinyi. The decisions are made by simple majority. It follows that the Group should consolidate Wuhan Tongxinyi as a subsidiary in the Group' s financial statements.

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

13 SUBSIDIARIES (CONTINUED)

(b) Set out below are the summarised financial information of Redco Development (Jiangxi) Co., Ltd. ("Redco Development"), Changfeng Lianhua Real Estate Co., Ltd. ("Changfeng Lianhua"), Jiangxi Yiju Property Development Co., Ltd. ("Jiangxi Yiju"), Nanchang Xinrong Project Deveopment Co., Ltd. ("Nanchang Xinrong"), Nantong Xugao Real Estate Co., Ltd. ("Nantong Xugao") and Nanchang Guogao Property Development Co., Ltd. (Nanchang Guogao") that have non-controlling interests that are material to the Group:

Summarised balance sheet

	Redco Development		Changfeng Lianhua		Jiangxi Yiju		Nanchang Xinrong		Nantong Xugao		Nanchang Guogao (Note i)	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Current												
Assets	**456,817**	444,889	**696,896**	875,576	**363,595**	653,400	**634,996**	648,045	**1,457,084**	–	**783,173**	–
Liabilities	**(220,508)**	(207,502)	**(124,325)**	(395,761)	**(474)**	(473,543)	**(409,532)**	(659,112)	**(247,871)**	–	**(283,757)**	–
Total net current assets/(liabilities)	**236,309**	237,387	**572,571**	479,815	**363,121**	179,857	**225,464**	(11,067)	**1,209,213**	–	**499,416**	–
Non-current												
Assets	**–**	–	**239**	318	**230**	567	**296**	5,390	**1,409**	–	**251**	–
Liabilities	**–**	–	**(6,883)**	(6,991)	**(87,545)**	–	**–**	–	**(175,000)**	–	**(2,932)**	–
Total non-current net (liabilities)/assets	**–**	–	**(6,644)**	(6,673)	**(87,315)**	567	**296**	5,390	**(173,591)**	–	**(2,681)**	–
Net (liabilities)/assets	**236,309**	237,387	**565,927**	473,142	**275,806**	180,424	**225,760**	(5,677)	**1,035,622**	–	**496,735**	–

Summarised statement of profit or loss

	Redco Development		Changfeng Lianhua		Jiangxi Yiju		Nanchang Xinrong		Nantong Xugao		Nanchang Guogao (Note i)	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Net Revenue	**–**	–	**19,028**	815,175	**430,549**	320,962	**822,190**	–	**–**	–	**150,198**	–
(Loss)/profit before income tax	**(1,079)**	(1,235)	**645**	361,609	**128,349**	88,379	**401,929**	(19,955)	**(5,519)**	–	**11,906**	–
Income tax expense	**–**	–	**92,141**	(186,690)	**(32,492)**	(29,229)	**(170,493)**	4,989	**1,380**	–	**4,230**	–
Total comprehensive (loss)/income	**(1,079)**	**(1,235)**	**92,786**	174,919	**95,857**	59,150	**231,436**	(14,966)	**(4,139)**	–	**16,136**	–
(Loss)/profit allocated to non-controlling interests	**(540)**	(618)	**18,557**	34,984	**46,970**	28,984	**162,005**	(10,476)	**(2,111)**	–	**7,907**	–

The information above is before inter-company eliminations.

13 SUBSIDIARIES (CONTINUED)

(b) Set out below are the summarised financial information of Redco Development (Jiangxi) Co., Ltd. ("Redco Development"), Changfeng Lianhua Real Estate Co., Ltd. ("Changfeng Lianhua"), Jiangxi Yiju Property Development Co., Ltd. ("Jiangxi Yiju"), Nanchang Xinrong Project Deveopment Co., Ltd. ("Nanchang Xinrong"), Nantong Xugao Real Estate Co., Ltd. ("Nantong Xugao") and Nanchang Guogao Property Development Co., Ltd. (Nanchang Guogao") that have non-controlling interests that are material to the Group: (Continued)

Summarised statement of cash flows

	Redco Development		Changfeng Lianhua		Jiangxi Yiju		Nanchang Xinrong		Nantong Xugao		Nanchang Guogao (Note i)	
	2018 RMB' 000	2017 RMB' 000	**2018 RMB' 000**	2017 RMB' 000	**2018 RMB' 000**	2017 RMB' 000	**2018 RMB' 000**	2017 RMB' 000	**2018 RMB' 000**	2017 RMB' 000	**2018 RMB' 000**	2017 RMB' 000
Cash (used in)/generated from operating activities	**(366)**	(1,030)	**114,432**	(69,154)	**(33,545)**	252,433	**(14,369)**	52,231	**(1,207,209)**	–	**3,201**	
Income tax paid	**–**	–	**(125,130)**	(78,478)	**(17,046)**	(37,193)	**(18,047)**	(17,715)	**(634)**	–	**(38,990)**	
Net cash (used in)/generated from operating activities	**(366)**	(1,030)	**(10,698)**	(147,632)	**(50,591)**	215,240	**(32,416)**	34,516	**(1,207,843)**	–	**(35,789)**	
Net cash generated from/(used in) investing activities	**–**	–	**212**	57,138	**–**	432	**(20)**	(504)	**(33)**	–	**–**	
Net cash generated from/(used in) financing activities	**–**	–	**–**	–	**–**	(199,900)	**(30,000)**	30,000	**1,339,762**	–	**–**	
Net (decrease)/increase in cash and cash equivalents	**(366)**	(1,030)	**(10,486)**	(90,494)	**(50,591)**	15,772	**(62,436)**	64,012	**131,886**	–	**(35,789)**	
Cash and cash equivalents at beginning of year	**800**	1,830	**117,686**	208,180	**84,810**	69,038	**64,012**	–	**–**	–	**129,853**	
Cash and cash equivalents at end of year	**434**	800	**107,200**	117,686	**34,219**	84,810	**1,576**	64,012	**131,886**	–	**94,064**	

Note (i): Nanchang Guogao became an indirectly wholly owned subsidiary fo the Group from 1 July 2018. Hence, no summarised balance sheet as of 31 December 2017 is shown above and the summarised statement of profit or loss and the statement of cash flows are presented for the period from 1 July 2018 to 31 December 2018. Details of the step acquisitions are disclosed in Note 28.

14 INVESTMENT PROPERTIES

	2018 RMB' 000	2017 RMB' 000
At 1 January	434,669	—
Additions	284,854	—
Transfer from properties under development for sale	—	75,502
Capitalised subsequent expenditure	204	131
Fair value gain	84,172	359,036
At 31 December	803,899	434,669

As at 31 December 2018, an investment property with fair value of RMB480,777,000 (2017: Nil) was pledged as collaterals for the Group' s bank and other borrowings of approximately RMB175,000,000 (2017: Nil) (Note 24).

Fair value measurement

As at 31 December 2018, the fair values of the investment properties were measured at level 3 of fair value hierarchy using significant unobservable inputs.

There were no transfers between levels 1, 2 and 3 during the year.

Valuation process of investment properties

The Group engages an external, independent and qualified valuer, Jiangxi Hengfang Real Estate and Land Valuation Consultancy Co., Ltd. (“江西恒方房地產土地估價諮詢有限公司”) to determine the fair values of the investment properties.

Discussions of valuation processes and results had been held between management and the valuer in respect of the valuation as at reporting date.

Information about fair value measurements using significant unobservable input (Level 3) is as follows:

Description	Fair value (RMB' 000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment property under development- PRC	480,777	Residual method	(1) Market selling prices (2) Developer' s margin	(1) RMB16,640 – 21,078 per sq.m. (2) 35%	The higher the market selling prices and lower the developer' s margin, the higher the fair value
Completed investment properties	323,122	Direct Comparison	(1) Market selling prices	(1) RMB45,045 - 51,520 per sq.m.	The higher the market selling prices, the higher the fair value

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

	2018 RMB' 000	2017 RMB' 000
Associates	383,463	561,586
Joint ventures	316,831	472,935
At 31 December	700,294	1,034,521

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2018 RMB' 000	2017 RMB' 000
Associates	3,486	14,546
Joint ventures	73,982	68,324
For the year ended 31 December	77,468	82,870

(a) Interests in associates

	2018 RMB' 000	2017 RMB' 000
At beginning of the year	318,193	27,983
Additions	66,699	275,664
Transfer to a subsidiary (Note 28)	(4,915)	—
Share of profit, net		
– Gain on bargain purchase (Note b(i))	28,588	12,317
– Others	(25,102)	2,229
At end of the year	383,463	318,193
A loan due from an associate (Note i)	—	243,393
	383,463	561,586

Note:

(i) The loan bore interest of 10% per annum, unsecured and had no fixed repayment terms. The carrying value approximated its fair value and was denominated in RMB. RMB100,000,000 was repaid by the associate during the year and the remaining balance has been reclassified to amounts due from associates (Note 34 (a)(iii)).

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Nature of interests in associates

Name of entity	Principal place of business	% of ownership is indirectly held interest 2018	2017	Nature of the relationship	Measurement method
Top Glory International Holdings Limited ("Top Glory")	PRC	**45%**	45%	–	Equity
Jiangxi Chang Da Rui Feng Technology Development Co., Limited (江西昌大瑞豐科技發展有限公司) ("Jiangxi Chang Da Rui Feng")	PRC	**20%**	20%	–	Equity
Jiangxi Life Sunshine City Investment Co., Limited (江西生命陽光城投資股份有限公司) ("Jiangxi Life Sunshine City")	PRC	**– (Note 28)**	25%	–	Equity
Ganzhou Baoherun Co., Limited (贛州葆和潤實業有限公司) ("Ganzhou Baoherun")	PRC	**30%**	20%	Note i	Equity
Xianyang Baorong Co., Limited (咸陽保榮實業有限公司) ("Xianyang Baorong")	PRC	**75%**	75%	Note ii	Equity
Lianyungang Hengrun Real Estate Co., Ltd (連雲港恒潤置業有限公司) ("Lianyungang Hengrun")	PRC	**40%**	–	Note iii	Equity
Fencheng Xinfei Property Development Co., Ltd. (豐城欣飛房地產開發有限公司) ("Fencheng Xinfei")	PRC	**40%**	–	–	Equity
Fengcheng Liding Property Development Co., Ltd (豐城市力鼎房地產開發有限公司) ("Fencheng Liding")	PRC	**40%**	–	–	Equity
Fengcheng Hending Property Development Co., Ltd (豐城市恆鼎房地產開發有限公司) ("Fencheng Hending")	PRC	**40%**	–	–	Equity

The associates held by the Group have share capital consisting solely of ordinary shares. All of the associates are private companies with no quoted market price available for their shares.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Nature of interests in associates (Continued)

Note:

(i) Ganzhou Baoherun is a limited liability company incorporated on 19 June 2014. The principal activities are property development and management in the PRC. Ganzhou Baoherun is accounted for as an associate following at a consideration of RMB57,500,000, representing 20% interest, on 30 September 2017. The Group acquired additional 10% equity interest of Ganzhou Baoherun at a consideration of RMB5,357,000 and the transaction was completed on 30 January 2018. The gain on bargain purchase of RMB28,588,000 was mainly resulted from the fact that the Group would bring in industry expertise to this associate.

The property project of Ganzhou Baoherun consists of three phases. The Group is entitled to 30% interest in phase 2 and an additional 21% voting rights of phase 2 of Ganzhou Baoherun was granted to the Group by the 70% shareholder of Ganzhou Baoherun. The decisions of phase 2 are made by simple majority. Meanwhile, the Group has no interests in phase 1 and phase 3.

Under HKFRS 10, the Company is required to consolidate as subsidiaries in its financial statements, companies which it controls. The Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company' s returns. All three of these requirements must be met. The Company has assessed whether to consolidate Ganzhou Baoherun as a subsidiary in its financial statements in the light of the provisions of HKFRS 10.

Even though the Company holds 51% voting right of phase 2 of Ganzhou Baoherun, the directors of the Company is of the view, having considered the terms stated in the operating agreement entered into with the other shareholder and the way in which the board of the Company governs the affairs of Ganzhou Baoherun legally, that the Company does not have power over certain operating business of Ganzhou Baoherun and is not exposed to or able to obtain variable returns from that operating segment for the purposes of HKFRS 10. It follows that the three requirements in HKFRS 10 for consolidation have not been met, the Company should not consolidate Ganzhou Baoherun as a subsidiary in the Company' s financial statements and should account for its interest in Ganzhou Baoherun as an associate.

(ii) Xianyang Baorong is a limited liability company incorporated on 5 September 2011. The principal activities are property development and management in the PRC. Xianyang Baorong is accounted for as an associate following the acquisition of 75% interest at a consideration of RMB188,783,000 by the Group and the Group obtained the significant influence on 31 December 2017.

The property project of Xianyang Baorong consists of two phases. The Group is entitled to 75% interest of phase 2 and none of the interests in phase 1.

Under HKFRS 10, the Company is required to consolidate as subsidiaries in its financial statements, companies which it controls. The Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company' s returns. All three of these requirements must be met. The Company has assessed whether to consolidate Xianyang Baorong as a subsidiary in its financial statements in the light of the provisions of HKFRS 10.

Even though the Company holds 75% of the shareholding and voting right in phase 2, the directors of the Company is of the view, having considered the terms stated in the operating agreement entered into with the other shareholder and the way in which the board of the Company governs the affairs of Xianyang Baorong legally, that the Company does not have power over certain operating business of Xianyang Baorong and is not exposed to or able to obtain variable returns from that operating segment for the purposes of HKFRS 10. It follows that the three requirements in HKFRS 10 for consolidation have not been met, the Company should not consolidate Xianyang Baorong as a subsidiary in the Company' s financial statements and should account for its interest in Xianyang Baorong as an associated company.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Nature of interests in associates (Continued)

Note: (Continued)

(iii) Lianyungang Hengrun is a limited liability company incorporated on 15 May 2007. The principal activities are property development and management in the PRC. Lianyungang Hengrun is accounted for as an associate following the acquisition of 40% interest at a consideration of RMB33,340,000 by the Group and the Group obtained the significant influence on 22 August 2018.

The property project of Lianyungang Hengrun consists of three phases. The Group is entitled to 40% interest in phase 3 and none of the interests in phase 1 and phase 2.

(c) Summarised financial information for the associates

Set out below are the summarised financial information for Top Glory and its subsidiaries and Xianyang Baorong which, in the opinion of the directors, are material to the Group and other immaterial associates ("Others"). The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group' s share of those amounts. They have been amended to reflect adjustments when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

Summarised balance sheet

	Top Glory and its subsidiaries		Xianyang Baorong (Note (i))		Others (Note (i))	
	2018 RMB' 000	2017 RMB' 000	**2018 RMB' 000**	2017 RMB' 000	**2018 RMB' 000**	2017 RMB' 000
Cash and cash equivalents	**67,494**	62,391	**225,251**	1,611	**269,542**	107,833
Other current assets (excluding cash)	**11,866**	11,326	**407,112**	265,774	**4,510,736**	1,187,951
Total current assets	**79,360**	73,717	**632,363**	267,385	**4,780,278**	1,295,784
Financial current liabilities (excluding trade payables)	**—**	—	**—**	—	**(164,311)**	(30,000)
Other current liabilities (including trade payables)	**(57,043)**	(59,749)	**(567,877)**	(196,988)	**(3,816,729)**	(831,024)
Total current liabilities	**(57,043)**	(59,749)	**(567,877)**	(196,988)	**(3,981,040)**	(861,024)
Non-current assets	**1,969**	1,802	**126**	49	**116,449**	117,094
Financial liabilities (excluding trade payables)	**—**	—	**—**	—	**(398,393)**	(243,393)
Other liabilities	**—**	—	**(7,457)**	(7,457)	**(75,000)**	(75,000)
Total non-current liabilities	**—**	—	**(7,457)**	(7,457)	**(473,393)**	(318,393)
Non-controlling interests	**(3,191)**	(3,866)	**—**	—	**—**	—
Net assets	**21,095**	11,904	**57,155**	62,989	**442,294**	233,461

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) *Summarised financial information for the associates (Continued)*

Summarised income statement

	Top Glory and its subsidiaries		Xianyang Baorong (Note (i))		Others (Note (i))	
	2018 RMB' 000	2017 RMB' 000	**2018 RMB' 000**	2017 RMB' 000	**2018 RMB' 000**	2017 RMB' 000
Revenue	**128,270**	103,262	**—**	—	**999**	6,380
Depreciation	**(660)**	(211)	**(36)**	—	**(9,760)**	(4,643)
Operating profit/(loss)	**11,274**	14,685	**(6,125)**	—	**(57,107)**	(3,658)
Interest income	**13**	—	**735**	—	**1,771**	145
Interest expenses	**—**	—	**—**	—	**(30,138)**	(12,002)
Tax expenses	**(2,682)**	(1,674)	**—**	—	**—**	—
Profit attributable to non-controlling interests	**(366)**	(1,156)	**—**	—	**—**	—
Total comprehensive income/(loss)	**8,239**	11,855	**(5,390)**	—	**(85,474)**	(15,515)

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Summarised financial information for the associates (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information of the associates presented to the carrying amount of the Group's interests in associates.

	Top Glory and its subsidiaries		Xianyang Baorong (Note (i))		Others (Note (i))		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Opening net assets 1 January	**14,040**	2,185	**122,586**	—	**326,279**	—	**462,905**	2,185
Initial recognition of the investment	**—**	—	**—**	122,586	**144,876**	341,794	**144,876**	464,380
Transfer to subsidiaries	**—**	—	**—**	—	**(11,325)**	—	**(11,325)**	—
Profit/(loss) for the year/period	**8,239**	11,855	**(5,390)**	—	**(85,474)**	(15,515)	**(82,625)**	(3,660)
Closing net assets	**22,279**	14,040	**117,196**	122,586	**376,623**	326,280	**513,831**	462,905
Interests in associates	**10,026**	6,318	**87,897**	91,940	**129,743**	65,837	**227,666**	164,095
Implicit goodwill	**27,000**	27,000	**96,843**	96,843	**31,954**	30,255	**128,797**	127,098
A loan due from an associate	**—**	—	**—**	—	**—**	243,393	**—**	243,393
Carrying value	**37,026**	33,318	**184,740**	188,783	**161,697**	339,485	**383,463**	561,586

Notes:

(i) As mentioned in Note 15 (b)(i), Note 15 (b)(ii) and Note 15 (b)(iii), the Group does not have power over certain operating business of Ganzhou Baoherun, Xianyang Baorong and Lianyungang Herun and is not exposed to or able to obtain variable returns from those operating segments.

In addition, the liabilities relating to those operating businesses over which the Group has no control or power when there is any defaults, may have impact on the Group's interests in such associate. As of 31 December 2018, there is no indicator of such defaults, and thus the outflow of resources of the Group is not probable.

Hence, the summarised balance sheet as of 31 December 2018 shown above is the financial position of Ganzhou Baoherun, Xianyang Baorong and Lianyungang Herun as a whole while the summarised income statement for the year ended 31 December 2018 of Ganzhou Baoherun, Xianyang Baorong and Lianyungang Herun only presented the results of phase 2, phase 2 and phase 3 respectively.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) *Summarised financial information for the associates (Continued)*

Reconciliation of summarised financial information (Continued)

Notes: (Continued)

For the year ended 31 December 2017, the summarised income statement of Xianyang Baorong had not been disclosed as the result was related to the financial performance of the operating segment that the Group has no interest.

(ii) No dividend has been paid or declared by the associates to the Group since the dates of investments and there are no other contingent liabilities relating to the Group' s interests in associates.

(d) *Interests in joint ventures*

	2018 RMB' 000	2017 RMB' 000
At beginning of the year	**401,886**	338,185
Capital injection to a joint venture	**500**	500
Disposal of a joint venture (Note a)	**—**	(5,123)
Transfer to a subsidiary (Note 28)	**(235,322)**	—
Share of profit	**73,982**	68,324
Net asset attributable to the Group' s interest	**241,046**	401,886
Unrealised gain from the transaction with a joint venture	**(22,740)**	(23,040)
At end of the year	**218,306**	378,846
Loans due from joint ventures (Note b)	**98,525**	94,089
	316,831	472,935

Note:

(a) On 14 December 2017, Redco (China) Real Estate Co., Ltd. agreed to sell 36% of the equity interest of its joint venture, Jiangxi Manwei Property Development Co., Limited ("Jiangxi Manwei"), at a cash consideration of RMB16,875,000 to its joint venture partner of Jiangxi Manwei and the transaction was completed on the same day. Upon the completion, Jiangxi Manwei was derecognised as a joint venture of the Group and the gain on disposal was included in "other gains/(losses), net" in the consolidated statement of profit or loss (Note 7).

(b) The loans due from joint ventures, Hui Gao Investments Development Limited and Power Out International Holding Limited, are interest-free, unsecured and have no fixed repayment terms. The carrying amount approximates their fair values.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(e) Nature of interests in joint ventures

Name of entity	Principal place of business	% of ownership indirectly held interest 2018	2017	Measurement method
Redco Industry (Jiangxi) Co., Limited ("Redco Industry")	PRC	50%	50%	Equity
Nanchang Guogao Property Development Co., Limited (南昌國高房地產置業有限公司)	PRC	— (Note 28)	51%	Equity
Jiangxi Po Hu Feng Qing Property Development Co., Limited (江西鄱湖風情置業有限公司)	PRC	— (Note 28)	60%	Equity
Power Out International Holding Limited	PRC	68%	68%	Equity
Hui Gao Investments Development Limited	PRC	51%	51%	Equity
Shenzhen Redco Hongye Property Development Co., Limited (深圳力高宏業地產開發有限公司)	PRC	50%	50%	Equity

The Group has joint control over the above entities under contractual agreements, and unanimous consent is required from all parties for all relevant activities of the entities.

The joint ventures held by the Group have share capital consisting solely of ordinary shares. All of the joint ventures are private companies with no quoted market price available for their shares.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(f) Summarised financial information for the joint ventures

Set out below are the summarised financial information for Redco Industry which, in the opinion of the directors, are material to the Group and other immaterial joint ventures ("Others"). The information disclosed reflects the amounts presented in the financial statements of the joint ventures and not the Group' s share of those amounts. They have been amended to reflect adjustments when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

Summarised balance sheet

	Redco Industry		Others	
	2018 RMB' 000	2017 RMB' 000	2018 RMB' 000	2017 RMB' 000
Cash and cash equivalents	19,076	32,123	1,018	162,207
Other current assets (excluding cash)	12,381	27,781	161,532	889,914
Total current assets	31,457	59,904	162,550	1,052,121
Financial current liabilities (excluding trade payables)	—	—	—	—
Other current liabilities (including trade payables)	(18,722)	(64,328)	(299,709)	(854,813)
Total current liabilities	(18,722)	(64,328)	(299,709)	(854,813)
Non-current assets	514,172	506,436	420,017	470,312
Financial liabilities (excluding trade payables)	—	—	(337,705)	(356,227)
Other liabilities	(45,608)	(41,296)	—	—
Total non-current liabilities	(45,608)	(41,296)	(337,705)	(356,227)
Non-controlling interests	—	—	(3)	(3)
Net assets/(liabilities)	481,299	460,716	(54,850)	(311,390)

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(f) Summarised financial information for the joint ventures (Continued)

Summarised income statement

	Redco Industry		Others	
	2018 RMB' 000	2017 RMB' 000	**2018 RMB' 000**	2017 RMB' 000
Revenue	**103,081**	92,041	**577,570**	535,400
Depreciation	**(17,249)**	(13,748)	**(127)**	(276)
Operating profit/(loss)	**7,558**	6,365	**148,950**	141,810
Fair value gain on an investment property	**17,251**	46,696	**—**	—
Interest income	**118**	46	**58**	482
Interest expenses	**(31)**	(31)	**(18,032)**	(23,021)
Tax (expenses)	**(4,313)**	(11,674)	**(42,867)**	(54,393)
Total comprehensive income	**20,583**	41,402	**88,229**	65,878
Unrecognised share of losses	**—**	—	**24,354**	13,512
Cumulative unrecoginsed share of losses	**—**	—	**35,721**	13,983

No dividend has been paid or declared by the joint ventures to the Group since the dates of investments.

A corporate guarantee provided by the Group to the subsidiary of Power Out International Holding Limited for a loan facility. Please see Note 31(b) for details.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(f) Summarised financial information for the joint ventures (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information of the joint ventures presented to the carrying amount of the Group's interests in joint ventures.

	Redco Industry		Others		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Opening net assets 1 January	**460,716**	419,314	**311,896**	257,739	**772,612**	677,053
Initial recognition of the investment	**—**	—	**—**	1,000	**66,848**	1,000
Capital injection	**—**	—	**1,000**	—	**1,000**	—
Disposal of a joint venture	**—**	—	**(454,254)**	(12,720)	**(454,254)**	(12,720)
Profit/(loss) for the year	**20,583**	41,402	**88,229**	65,878	**108,812**	107,280
Closing net assets/(liabilities)	**481,299**	460,716	**(53,129)**	311,897	**428,170**	772,613
Interests in joint ventures	**240,648**	230,357	**398**	170,226	**241,046**	400,583
Unrealised profit from the transaction with a joint venture	**(22,740)**	(23,040)	**—**	—	**(22,740)**	(23,040)
Implicit goodwill	**—**	—	**—**	1,303	**—**	1,303
Amount due from a joint venture	**—**	—	**98,525**	94,089	**98,525**	94,089
Carrying value	**217,908**	207,317	**98,923**	265,618	**316,831**	472,935

16 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred tax assets/(liabilities), net, is as follows:

	2018 RMB' 000	2017 RMB' 000
Deferred income tax assets		
– to be recovered within 12 months	283,867	207,350
– to be recovered after more than 12 months	175,966	31,581
	459,833	238,931
Deferred income tax liabilities		
– to be settled within 12 months	(71,868)	(35,683)
– to be settled after more than 12 months	(214,183)	(229,921)
	(286,051)	(265,604)
Deferred tax assets/(liabilities), net	173,782	(26,673)

The movements on the net deferred income tax assets/(liabilities) are as follows:

	2018 RMB' 000	2017 RMB' 000
At 1 January	(26,673)	76,523
Credited/(charged) to the consolidated statement of profit or loss (Note 10)	212,552	(36,100)
Acquisition of subsidiaries (Note 28)	(12,097)	(64,718)
Assets classified as held for sale (Note 21)	—	(2,194)
Disposal of a subsidiary	—	(184)
At 31 December	173,782	(26,673)

16 DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets:

	Unrealised profit RMB' 000	Tax losses RMB' 000	Provisions and others RMB' 000	Total RMB' 000
At 1 January 2017	5,835	45,517	167,781	219,133
(Charged)/credited to consolidated statement of profit of loss	(75)	10,524	11,727	22,176
Disposal of a subsidiary	—	(184)	—	(184)
Assets classified as held for sale	—	(2,194)	—	(2,194)
At 31 December 2017	5,760	53,663	179,508	238,931
At 1 January 2018	**5,760**	**53,663**	**179,508**	**238,931**
(Charged)/credited to consolidated statement of profit of loss	**(75)**	**60,180**	**158,628**	**218,733**
Acquisition of subsidiaries (Note 28)	**—**	**2,169**	**—**	**2,169**
At 31 December 2018	**5,685**	**116,012**	**338,136**	**459,833**

Deferred tax liabilities:

	Fair value adjustment on acquisition of subsidiaries RMB' 000	Fair value gain on an investment property RMB' 000	Interest capitalised RMB' 000	Withholding tax RMB' 000	Total RMB' 000
At 1 January 2017	17,901	—	53,648	71,061	142,610
(Credited)/charged to consolidated statement of profit of loss	(10,910)	89,759	(39,956)	19,383	58,276
Acquisition of subsidiaries	64,718	—	—	—	64,718
At 31 December 2017	71,709	89,759	13,692	90,444	265,604
At 1 January 2018	**71,709**	**89,759**	**13,692**	**90,444**	**265,604**
(Credited)/charged to consolidated statement of profit of loss	**(33,107)**	**21,043**	**(13,692)**	**31,937**	**6,181**
Acquisition of subsidiaries (Note 28)	**14,266**	**—**	**—**	**—**	**14,266**
At 31 December 2018	**52,868**	**110,802**	**—**	**122,381**	**286,051**

16 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2018 and 2017, the unrecognised tax losses are as follows:

	2018 RMB' 000	2017 RMB' 000
Expiry date in:		
2018	—	3,206
2019	**38,730**	38,730
2020	**24,100**	24,100
2021	**27,527**	27,530
2022	**35,789**	35,789
2023	**62,194**	—
No expiry date	**15,345**	15,369
	203,685	144,724

During the year, tax losses amounting to RMB3,206,000 (2017: RMB3,313,000) expired.

Pursuant to the relevant PRC corporate income tax rules and regulations, deferred tax on withholding tax is imposed on declared dividends in respect of profits earned by the Group' s PRC subsidiaries from 1 January 2008.

Deferred income tax liabilities of approximately RMB45,087,000 (2017: RMB45,087,000) as at 31 December 2018 have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of the Group' s certain PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

17 COMPLETED PROPERTIES HELD FOR SALE

	2018 RMB' 000	2017 RMB' 000
Amount comprised:		
Land use rights	**786,156**	671,492
Construction costs and capitalised expenditures	**1,201,986**	761,718
Interest capitalised	**145,676**	130,882
	2,133,818	1,564,092

Completed properties held for sale are all located in the PRC.

18 PROPERTIES UNDER DEVELOPMENT FOR SALE

	2018 RMB'000	2017 RMB'000
Within normal operating cycle included under current assets		
Amount comprised:		
Land use rights	**12,350,903**	3,653,337
Construction costs and capitalised expenditures	**2,523,725**	1,790,369
Interest capitalised	**805,500**	284,748
	15,680,128	5,728,454

The normal operating cycle of the Group's property development generally ranges from one to two years.

The properties under development for sale are all located in the PRC.

	2018 RMB'000	2017 RMB'000
Properties under development for sale:		
Expected to be completed and available for sale after more than 12 months	**10,655,370**	2,873,776
Expected to be completed and available for sale within 12 months	**5,024,758**	2,854,678
	15,680,128	5,728,454
Pledged as collateral for the Group's borrowings (Note 24)	**8,913,463**	2,963,928

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND OTHER PREPAYMENTS

Trade receivables, other receivables and deposits:	2018 RMB' 000	2017 RMB' 000
Trade receivables (Note a, b, c and g)	**263,682**	147,910
Accrued contract revenue (Note d)	**—**	700,000
	263,682	847,910
Other receivables (Note b)	**2,119,885**	1,117,961
Loan receivables (Note e)	**212,412**	—
Receivables in relation to the disposal of assets and liabilities held for sales (Note 29)	**150,000**	—
Deposits with local real estate associations (Note f)	**555,791**	1,109,331
Deposits with labour department	**10,275**	2,645
Deposits with treasury bureau	**109,759**	4,747
	3,158,122	2,234,684
Less: provision for impairment on other receivables and deposits	**(50,260)**	—
	3,107,862	2,234,684
	3,371,544	3,082,594
Prepayments:		
Prepaid other taxes	**127,688**	26,623
Prepayments of purchase of property, plant and equipment	**—**	475,236
Prepayments for construction costs	**29,757**	4,888
Prepayments for land use rights	**850,865**	678,602
Prepayments for acquisitions of subsidiaries	**45,300**	254,000
Prepayments for investment in an associate	**60,000**	—
	1,113,610	1,439,349
Less: Non-current portion		
– prepayments for purchase of property, plant and equipment	**—**	(475,236)
– prepayments for investment in an associate	**(60,000)**	—
	1,053,610	964,113

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND OTHER PREPAYMENTS (CONTINUED)

Note:

(a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. Credit terms are generally granted to certain customers and the customers are required to settle the receivables according to the sales and purchase agreements.

(b) Included in trade receivables and other receivables are amounts due from Customer A (Note 5(b)) of RMB193,343,000 (2017: Nil) and RMB338,143,000 (2017: Nil) respectively.

(c) The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

	2018 RMB' 000	2017 RMB' 000
0 - 30 days	197,142	95,312
31 - 60 days	—	9,130
61 - 90 days	2,370	16,660
91 – 180 days	6,111	7,888
Over 180 days	58,059	18,920
	263,682	147,910

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The expected losses rate is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates. No provision was made against the gross amount of trade receivables. (2017: Nil).

As at 31 December 2018, trade receivables of RMB46,673,000 (2017: RMB140,590,000) were overdue but not impaired.

The ageing analysis of those trade receivables which were overdue but not impaired was as follows:

	2018 RMB' 000	2017 RMB' 000
0 - 30 days	31,920	88,712
31 - 60 days	311	9,130
61 - 90 days	—	16,660
91 - 180 days	370	7,888
Over 180 days	14,072	18,200
	46,673	140,590

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND OTHER PREPAYMENTS (CONTINUED)

Note: (Continued)

(d) Accrued contract revenue arose from the Group's sea reclamation service to the PRC government. The sea reclamation service provided to the customer was completed and the corresponding receivable balance is not yet billed due to administrative procedures. This balance has been transferred to Contract Assets upon the adoption of HKFRS 15 (Note 5(c)).

(e) During the year ended 31 December 2018, the Group granted an unsecured loan of HK$100,000,000 (equivalent to RMB87,620,000) (2017: N/A) to an independent third party for a term of 12 months at interest rates of 11% per annum from 25 July 2018 to 31 October 2018 and 14.875% per annum from 1 November 2018 to 31 December 2018. Included in loan receivables amount is an interest receivable of RMB4,792,000 (2017: N/A) as at 31 December 2018.

During the year ended 31 December 2018, the Group granted loans of RMB100,000,000 (2017: N/A) and RMB20,000,000 (2017: N/A) to 2 independent third parties respectively. The loans are interest-free, repayable within 12 months from the date of grant and secured by the pledge of 20% equity interest of an entitiy held by these third parties.

(f) The deposits with local real estate associations mainly included deposits made to PRC government bodies for future land development and site clearing for the listing-for-sale or in connection with the retention of the quality for properties construction as required by the relevant regulations in respect of the Group's property development projects.

(g) Trade receivables are secured by the properties sold. The carrying amounts of trade receivables approximates their fair values and are interest-free.

(h) The carrying amounts of other receivables and deposits approximate their fair values and are unsecured, interest-free and repayable on demand.

(i) The carrying amounts of the Group's trade receivables, other receivables and deposits are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	**3,249,980**	3,082,594
HK$	**102,564**	—
US$	**19,000**	—
	3,371,544	3,082,594

20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2018 RMB' 000	2017 RMB' 000
Cash at bank and on hand	3,661,763	3,587,770
Short term bank deposits (Note a)	2,017,100	—
Less: assets classified as held for sales (Note 21)	—	(708)
Cash and cash equivalents	5,678,863	3,587,062
Restricted cash (Note b)	2,186,139	1,318,450
Cash and cash equivalents and restricted cash	7,865,002	4,905,512

The carrying amounts of the Group' s cash and cash equivalents and restricted cash are equivalent to their fair values and are denominated in the following currencies:

	2018 RMB' 000	2017 RMB' 000
RMB	7,808,282	4,121,026
US$	34,989	751,421
HK$	9,101	33,065
AUD	12,630	—
	7,865,002	4,905,512

Note:

(a) These bank deposits are denominated in RMB. The deposits had an average maturity of three months or less (2017: N/A), except that RMB 1,517,100,000 of bank deposits (2017: Nil) had maturity dates over 3 months and contained an unconditional cancellable term. Management has an intention to withdraw the bank deposits within 12 months, hence they are classified as current assets.

(b) Restricted cash comprises (i) guaranteed deposits for the mortgage loan facilities granted by banks to purchasers of the Group' s properties, (ii) guaranteed deposits for constructions of properties from certain property development companies of the Group that are required to place certain amount of presale proceeds of properties in designated bank accounts in accordance with relevant regulations issued by local State-Owned Land and Resource Bureau, and (iii) other bank deposits of RMB97,800,000 (2017: Nil) (Note 24) that are restricted in use as collateral for banking facilities of the Group.

The cash and cash equivalents and restricted cash denominated in RMB are deposited with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

21 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 19 December 2017, Tianjin Redco Shengye Company Limited (天津力高盛業有限公司), an indirectly subsidiary of the Group incorporated in the PRC, entered into an agreement (the "Agreement") with Shanghai Zhong Da Industry Development Company Limited (上海重達實業發展有限公司) (the "Purchaser"), a company incorporated in the PRC which is principally engaged in investment holding and independent of the Group, in relation to the disposal of all its equity interest in Shanghai Mingchang Real Estate Company Limited (上海明昌置業有限公司) (the "Disposal Company"). As of the date of the Agreement, the Disposal Company was principally engaged in property development. The consideration for the disposal is approximately RMB671,798,000 (subject to adjustment). Approximately RMB67,179,800, representing 10% of the consideration, has been paid by the Purchaser (Note 25). Completion is conditional upon the satisfaction of certain conditions precedents stipulated in the Agreement.

The following assets and liabilities were reclassified as held for sale in relation to the Disposal Company as at 31 December 2017:

	RMB' 000
Assets classified as held for sale	
Property, plant and equipment (Note 11)	466
Deferred income tax assets (Note 16)	2,194
Properties under development for sale	462,536
Trade and other receivables, deposits and prepayments	2,027
Cash and cash equivalents	708
Total assets of the Disposal Company held for sale	467,931
Liabilities directly associated with assets classified as held for sale	
Trade and other payables	(1,544)
Total liabilities of the Disposal Company held for sale	(1,544)

The Disposal Company has been disposed on 27 February 2018. Please refer to Note 29 for details.

22 SHARE CAPITAL

	Number of Share	Par value per share	Share Capital HK$' 000	Share Capital RMB' 000
Authorised:				
As at 31 December 2017 and 31 December 2018	10,000,000,000	HK$0.05	500,000	418,899
Issued and fully paid:				
As at 31 December 2017 and 31 December 2018	3,551,609,322	HK$0.05	177,580	139,632

23 RESERVES

	Share premium RMB' 000	Exchange reserve RMB' 000	Statutory reserve RMB' 000	Merger reserve RMB' 000	Other reserves RMB' 000	Retained earnings RMB' 000	Total RMB' 000
At 1 January 2017	1,241,423	(240,828)	254,839	134,402	(10,226)	1,330,635	2,710,245
Comprehensive income							
Profit for the year	–	–	–	–	–	862,237	862,237
Other comprehensive income/(loss)							
Currency translations differences	–	170,639	–	–	–	–	170,639
Transfer to statutory reserve	–	–	65,042	–	–	(65,042)	–
Total comprehensive income (Note 35)	–	170,639	65,042	–	–	797,195	1,032,876
Transactions with owners							
Dividends relating to 2017 interim (Note 36)	–	–	–	–	–	(71,032)	(71,032)
Total transactions with owners, recognised in equity	–	–	–	–	–	(71,032)	(71,032)
At 31 December 2017, as preciously reported	1,241,423	(70,189)	319,881	134,402	(10,226)	2,056,798	3,672,089
Change in accounting policy (Note 2.1.2)	–	–	–	–	–	(22,173)	(22,173)
	1,241,423	(70,189)	319,881	134,402	(10,226)	2,034,625	3,649,916

23 RESERVES (CONTINUE)

	Share premium RMB' 000	Exchange reserve RMB' 000	Statutory reserve RMB' 000	Merger reserve RMB' 000	Other reserves RMB' 000	Retained earnings RMB' 000	Total RMB' 000
Comprehensive income							
Profit for the year	—	—	—	—	—	990,747	990,747
Other comprehensive (loss)/income							
Currency translations differences	—	(217,322)	—	—	—	—	(217,322)
Transfer to statutory reserve	—	—	46,814	—	—	(46,814)	—
Total comprehensive income	1,241,423	(287,511)	366,695	134,402	(10,226)	2,978,558	4,423,341
Transactions with owners							
Change in ownership interests in subsidiary without change of control	—	—	—	—	9,810	—	9,810
Dividends relating to 2017 final (Note 35)	—	—	—	—	—	(106,548)	(106,548)
Dividends relating to 2018 interim (Note 35)	—	—	—	—	—	(88,790)	(88,790)
Total transactions with owners, recognised in equity	—	—	—	—	9,810	(195,338)	(185,528)
At 31 December 2018	1,241,423	(287,511)	366,695	134,402	(416)	2,783,220	4,237,813

24 BORROWINGS

	2018 RMB' 000	2017 RMB' 000
Long-term bank and other borrowings, secured (Note a)	3,549,978	3,982,100
11% Senior Notes due 2020, secured (Note b)	1,362,773	—
Non-current borrowings, secured	4,912,751	3,982,100
Short-term bank and other borrowings, secured (Note a)	592,540	472,300
7% Senior Notes due 2018, secured (Note c)	—	1,622,697
6.375% Senior Notes due 2019, secured (Note d)	2,048,688	—
8% Private Notes due 2019, secured (Note e)	108,534	—
	2,749,762	2,094,997
Portion of long-term bank and other borrowings secured (Note a)		
– due for repayment within one year	3,246,900	1,002,286
– due for repayment within one year which contain a repayment on demand clause	24,500	24,500
– due for repayment after one year which contain a repayment on demand clause	125,768	139,336
Current borrowings, secured	6,146,930	3,261,119
Total borrowings	11,059,681	7,243,219

24 BORROWINGS (CONTINUED)

Notes:

(a) The Group's bank and other borrowings as at 31 December 2018 of RMB4,703,953,000 (2017: RMB2,425,680,000), were secured by certain properties under development for sale (Note 18) with the carrying amount of RMB8,913,463,000 (2017: RMB2,963,928,000), an investment property (Note 14) of RMB480,777,000 (2017: Nil) and bank deposits (Note 20) of RMB97,800,000 (2017: Nil). The Group's bank and other borrowings as at 31 December 2018 of RMB2,835,733,000 (2017: RMB3,194,842,000) were guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries.

Bank and other borrowings bear interest from 4.99% to 13.00% (2017: 2.90% to 9.50%) per annum.

(b) On 23 August 2018, the Company issued 11% Senior Notes due in 2020 with an aggregate nominal value of US$200,000,000 at par value (the "11% Senior Notes due 2020"). The interest is payable semi-annually in arrears. The 11% Senior Notes due 2020 will mature on 29 August 2020, unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited.

(c) On 9 August 2017, the Company redeemed an aggregate principal amount of US$125,000,000 of all outstanding senior notes due in 2019 (the "13.75% Senior Notes due 2019") The total redemption price paid by the Company was US$133,976,000. The finance charges on early redemption of 13.75% Senior Notes due 2019 of approximately RMB58,031,000 was included in "finance income and costs" in the consolidated statement of profit or loss for the year ended 31 December 2017.

On 15 November 2017, the Company issued 7% senior notes due in 2018 with an aggregate nominal value of US$250,000,000 at par value (the "7% Senior Notes due 2018"). On 17 September 2018, the Company redeemed US$200,000,000 in principal amount of the 7% Senior Notes due 2018 (the "Partial Redemption"). The finance charges on early redemption of the 7% Senior Notes due 2018 of approximately RMB13,282,000 was included in "finance income and costs" in the consolidated statement profit or loss for the year ended 31 December 2018.The total redemption amount was US$206,744,000. After completion of the Partial Redemption, the outstanding principal amount of the 7% Senior Notes due 2018 was US$50,000,000 which was repaid on 14 November 2018 upon maturity.

(d) On 23 February 2018, the Company issued 6.375% senior notes due in 2019 with an aggregate nominal value of US$300,000,000 at par value (the "6.375% Senior Notes due 2019"). The interest is payable semi-annually in arrears. The 6.375% Senior Notes due 2019 will mature on 27 February 2019 unless redeemed earlier. It is listed on the singapore Exchange Securities Trading Limited.

(e) On 1 August 2018, the Company issued 8% private notes due in 2019 with an aggregate nominal value of US$15,800,000 at par value (the "8% Private Notes due 2019"). The interest is payable semi-annually in arrears. The 8% Private Notes due 2019 will mature on 31 August 2019 unless redeemed earlier.

The Company, at its option, can redeem the 6.375% Senior Notes due 2019, the 8% Private Notes due 2019 and the 11% Senior Notes due 2020 in whole or in part prior to their maturity at the redemption price as defined in the agreements of these notes. The early redemption option of the 6.375% Senior Notes due 2019, the 8% Private Notes due 2019 and the 11% Senior Notes due 2020 is regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options was insignificant on recognition and at 31 December 2018.

The Group's senior notes as at 31 December 2018 totalling RMB3,519,995,000 (2017: RMB1,622,697,000) are guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries, and subject to the fulfilment of covenants relating to certain of the Group's financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2018, none of these covenants had been breached.

24 BORROWINGS (CONTINUED)

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's total borrowings at the respective balance sheet dates (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	2018 RMB'000	2017 RMB'000
Amounts of borrowings that are repayable:		
– Within 1 year	**6,021,162**	3,121,793
– Between 1 and 2 years	**4,553,060**	2,113,509
– Between 2 and 5 years	**485,459**	2,007,917
Total borrowings	**11,059,681**	7,243,219

The carrying amounts of the Group' borrowings approximate their fair values as the impact of discounting is not significant or the borrowings carrying floating rate of interests.

The Group's borrowings are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
US$	**5,960,995**	3,879,876
RMB	**4,948,417**	3,199,507
HK$	**150,269**	163,836
	11,059,681	7,243,219

As at 31 December 2018, the Group had aggregate banking facilities of approximately RMB9,770,255,000 (2017: RMB7,944,228,000) for overdrafts and bank loans. There were unused facilities of approximately RMB1,001,256,000 as at the same date (2017: RMB1,472,200,000).

25 TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables (Note a)	**2,372,836**	1,401,828
Accruals and other payables (Note b)	**3,079,036**	298,499
Other taxes payables	**709,872**	364,314
Deposit received for the sale of the Disposal Company (Note 21)	**—**	67,180
Dividend payables	**52,337**	6,907
Salary payables	**7,004**	2,246
Interest payables	**97,881**	15,138
Rental deposits received	**4,566**	—
	6,323,532	2,156,112

25 TRADE AND OTHER PAYABLES (CONTINUE)

Note:

(a) The ageing analysis of the trade payables based on invoice date was as follows:

	2018 RMB' 000	2017 RMB' 000
0 - 30 days	**1,984,378**	1,348,561
31 - 60 days	**72,850**	418
61 - 90 days	**90,922**	13,859
Over 90 days	**224,686**	38,990
	2,372,836	1,401,828

(b) The other payables included an advance of RMB1,872,137,000 (2017: Nil) from Customer A (Note 5(b)) for investing a potential property development project to be developed in the PRC with the Group.

The advance is unsecured, non-interest bearing and has no repayment term.

(c) The carrying amounts of the Group' s trade payables approximate their fair values due to their short maturities and are denominated in RMB.

26 CONTRACT LIABILITIES (2017: RECEIPTS IN ADVANCE)

The Group receives payments from customers based on billing schedule as established in contracts, payments are usually received in advance of the performance under the contracts which are mainly from sales of properties. Such proceeds from customers are recorded as contract liabilities (2017: receipts in advance) before the relevant sales are recognised.

(a) Revenue recognised in relation to contract liabilities

Revenue recognised that was included in the contract liabilities balance at 1 January 2018 is approximately RMB3,726,643,000 during the year ended 31 December 2018.

(b) Unsatisfied contracts related to the sales of properties

As at 31 December 2018, approximately RMB7,471,196,000 of unsatisfied performance obligations resulting from the property sales are expected to be recognised within twleve months period, whereas approximately RMB 5,130,385,000 of unsatisfied performance obligations resulting from the property sales are expected to be recognised after twleve months.

27 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to net cash generated from operations:

	2018 RMB' 000	2017 RMB' 000
Profit before income tax	**2,213,472**	1,597,867
– Depreciation on property, plant and equipment	**9,930**	6,597
– Finance income	**(95,025)**	(44,729)
– Finance costs	**71,662**	70,945
– Gain on disposal of subsidiaries	**(304,271)**	(1,566)
– Gain on disposal of investment in a joint venture	**—**	(11,752)
– Gains on bargain purchase arising from acquisition of subsidiaries	**—**	(1,150)
– Gain on disposal of property, plant and equipment	**(351)**	(226)
– Fair value gain on investment property	**(84,172)**	(359,036)
– Share of profit of investment accounted for using the equity method, net	**(77,468)**	(82,870)
– Impairment loss on other receivables	**18,345**	—
– Impairment of goodwill	**—**	49,535
– Remeasurement gains on interests in investments accounted for using the equity method	**(14,999)**	—
– Realisation of unrealised gain from the transaction with a joint venture	**(300)**	(300)
– Exchange differences	**136,710**	24,089
Operating profit before working capital change:	**1,873,533**	1,247,407
– Completed properties held for sale	**(569,726)**	408,389
– Properties under development for sale	**(6,851,732)**	1,423,390
– Contract assets	**(700,000)**	—
– Trade and other receivables and prepayments	**892,924**	(1,752,614)
– Contract liabilities	**7,169,457**	—
– Receipts in advance	**(4,673,042)**	271,620
– Trade and other payables	**2,004,132**	(1,134,710)
– Restricted cash	**(769,889)**	(132,195)
Net cash (used in)/generated from operations	**(1,624,343)**	331,287

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2018 RMB' 000	2017 RMB' 000
Net book amount (Note 11)	**296**	718
Net gain on disposals of property, plant and equipment (Note 7)	**351**	226
Proceeds from disposals of property, plant and equipment	**647**	944

27 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities from financing activities

	Liabilities from financing activities				
	Borrowings RMB' 000	Amounts to non-controlling interests RMB' 000	Amount due to an associate RMB' 000	Amounts to joint ventures RMB' 000	Total RMB' 000
As at 31 December 2016	3,629,232	451,308	—	65,663	4,146,203
Repayment of advances from non-controlling interests	—	(334,894)	—	—	(334,894)
Advances from joint ventures	—	—	—	74,546	74,546
Proceeds from bank and other borrowings	4,997,001	—	—	—	4,997,001
Repayment of bank and other borrowings	(2,111,100)	—	—	—	(2,111,100)
Issuance of 7% Senior Notes due 2018	1,673,784	—	—	—	1,673,784
Redemption of 13.75% Senior Notes due 2019	(899,974)	—	—	—	(899,974)
Other non-cash movements	135,817	—	—	—	135,817
Foreign exchange adjustments	(181,541)	—	—	—	(181,541)
As at 31 December 2017	7,243,219	116,414	—	140,209	7,499,842
As at 31 December 2017	7,243,219	116,414	—	140,209	7,499,842
Advances from non-controlling interests	—	2,007,245	—	—	2,007,245
Advances from joint ventures	—	—	—	129,241	129,241
Advance from an associate	—	—	66,000	—	66,000
Proceeds from bank and other borrowings	4,572,845	—	—	—	4,572,845
Repayment of bank and other borrowings	(3,037,142)	—	—	—	(3,037,142)
Issuance of 6.375% Senior Notes due 2019	2,277,435	—	—	—	2,277,435
Issuance of 11% Senior Notes due 2020	1,310,388	—	—	—	1,310,388
Payment for repurchase of 7% Senior Notes due 2018	(1,799,231)	—	—	—	(1,799,231)
Redemption of 6.375% Senior Notes due 2019	(6,748)	—	—	—	(6,748)
Other non-cash movements	130,147	—	—	(245,694)	(115,547)
Foreign exchange adjustments	368,768	—	—	—	368,768
As at 31 December 2018	11,059,681	2,123,659	66,000	23,756	13,273,096

28 ACQUISITIONS OF SUBSIDIARIES

28.1 Assets acquisitions

(a) Acquisition of Wuhan Feng Xiang Dao Property Development Co., Ltd.

On 11 January 2018, the Group completed the acquisition of 70% equity interest of Wuhan Feng Xiang Dao Property Development Co., Ltd. (武漢鳳翔島房地產開發有限公司) ("Wuhan Feng Xiang Dao") at a consideration of approximately RMB140,000,000. Wuhan Feng Xiang Dao is principally engaged in property development in Wuhan.

(b) Acquisition of Hefei Tong Zhu Property Co., Ltd.

On 17 January 2018, the Group completed the acquisition of 100% equity interest of Hefei Tong Zhu Property Co., Ltd. (合肥同鑄置業有限公司) ("Hefei Tong Zhu") at a consideration of approximately RMB132,240,000. Hefei Tong Zhu is principally engaged in property development in Hefei.

(c) Acquisitions of Ningbo Yu Yao Sheng Ming Property Development Co., Ltd., Ningbo Yu Yao Sheng Ye Machinery Technology Co., Ltd. and Ningbo Yu Yao Yun Sheng Machinery Technology Co., Ltd.

On 26 June 2018, the Group completed the acquisitions of 62% equity interest of Ningbo Yu Yao Sheng Ming Property Development Co., Ltd. (寧波余姚晟明房地產開發有限公司) ("Ningbo Sheng Ming"), Ningbo Yu Yao Sheng Ye Machinery Technology Co., Ltd. (寧波余姚晟業機器人科技有限公司) ("Ningbo Sheng Ye") and Ningbo Yu Yao Yun Sheng Machinery Technology Co., Ltd. (寧波余姚雲晟機器人科技有限公司) ("Ningbo Yun Sheng") at consideration of approximately RMB205,460,000, RMB72,060,000 and RMB94,810,000 respectively. These companies are principally engaged in property development in Ningbo.

Apart from the above, the Group acquired a number of property development project companies. The directors of the Company consider that these subsidiaries acquired during the year were insignificant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was disclosed as "Others" in aggregate amount.

As the above newly acquired companies did not operate any business prior to the date of acquisition, the Group considers the nature of the acquisitions as acquisitions of assets in substance and the consideration should be attributable to the individual assets acquired and liabilities assumed.

28 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

28.1 Assets acquisitions (Continued)

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Wuhan Feng Xiang Dao RMB' 000	Hefei Tong Zhu RMB' 000	Ningbo Sheng Ming RMB' 000	Ningbo Yun Sheng RMB' 000	Others RMB' 000	Total RMB' 000
Consideration paid and payable as at acquisition date	140,000	132,240	205,460	94,810	91,000	755,570
Recognised amounts of identifiable assets acquired and liabilities assumed:						
Property, plant and equipment	3,677	—	48	—	—	3,725
Prepayments, deposits and other receivable	37,707	90,829	440	15	560,373	689,376
Properties under development	273,406	783,358	506,567	152,897	638,305	2,354,533
Cash and cash equivalents	954	636	4,962	7	44,493	56,221
Borrowings	(71,873)	—	—	—	—	(71,873)
Other payables	(43,871)	(742,583)	(180,630)	—	(1,023,835)	(1,990,919)
Total identifiable net assets acquired	200,000	132,240	331,387	152,919	224,517	1,041,063
Less: Non-controlling interest initially recognised as at acquisition date	(60,000)	—	(125,927)	(58,109)	(41,457)	(285,493)
Net assets acquired	140,000	132,240	205,460	94,810	183,060	755,570
Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries:						
Cash consideration paid	140,000	132,240	205,460	94,810	91,000	755,570
Less: Prepayment for acquisition paid in prior year	(50,000)	(132,240)	—	—	—	(182,240)
Less: Cash and cash equivalents acquired	(954)	(636)	(4,962)	(7)	(44,493)	(56,221)
Net cash outflow/(inflow)	89,046	(636)	200,498	94,803	46,507	517,109

28 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

28.2 Step acquisitions

(a) Step acquisiton of Nanchang Guogao Property Development Co., Limited ("Nanchang Guogao") and Jiangxi Po Hu Feng Qing Property Development Co., Limited ("Jiangxi Po Hu Feng Qing")

Nanchang Guogao and Jiangxi Po Hu Feng Qing were 51% and 60% joint ventures of the Group before the step acquisition respectively.

On 1 July 2018, the Group negotiated with the joint venture partner of Nanchang Guogao and Jiangxi Po Hu Feng Qing, who is an independent third party, for the business operation and management of Nanchang Guogao. The joint venture partner intended to cooperate with the Group for its industry expertise for its existing property development projects. Hence, Nanchang National Resources Operating Group Property Development Co., Limited has signed an agreement with the Group and granted its 49% and 40% of voting rights of Nanchang Guogao and Jiangxi Po Hu Feng Qing to the Group respectively, and the Group obtained a control of the board of the directors of Nanchang Guogao and Jiangxi Po Hu Feng Qing. It follows that the Group should consolidate Nanchang Gougao as subsidiaries from 1 July 2018 when the memoranda of association are effective.

(b) Step acquisiton of Jiangxi Life Sunshine City Investment Co., Limited ("Jiangxi Life Sunshine City")

Jiangxi Life Sunshine City was a 25% associate of the Group before the step acquisition.

On 17 November 2018, the Group acquired the remaining 75% equity interest of Jingxi Life Sunshine City at a consideration of RMB15,000,000.

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date:

	Nanchang Guogao RMB' 000	Jiangxi Po Hu Feng Qing RMB' 000	Jiangxi Life Sunshine City RMB' 000
Consideration:			
– Fair value of the shares held by the Group	245,104	5,132	5,000
– Cash consideration	—	—	15,000
Less: Net assets acquired:			
– Property, plant and equipment	321	732	117
– Completed properties and properties under development	67,329	86,798	24,818
– Prepayments, deposits and other receivable	275,178	8,346	13,420
– Cash and cash equivalents	70,212	3,808	994
– Other payables	(170,893)	(86,257)	(3,345)
– Amount due from/(to) the group	245,694	(21)	(16,004)
– Deferred income tax assets	—	—	2,169
– Deferred income tax liabilities	(7,245)	(4,852)	(2,169)
	480,596	8,554	20,000
Less: Non-controlling interests initially recognised as at acquisition date	(235,492)	(3,422)	—
	245,104	5,132	20,000

28 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

28.2 Step acquisitions (Continued)

(b) Step acquisiton of Jiangxi Life Sunshine City Investment Co., Limited ("Jiangxi Life Sunshine City") (Continued)

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date: (Continued)

	Nanchang Guogao RMB' 000	Jiangxi Po Hu Feng Qing RMB' 000	Jiangxi Life Sunshine City RMB' 000
Fair value of interests in joint ventures or an associate	245,104	5,132	5,000
Less: Interests in joint ventures/an associate	(235,322)	—	(4,915)
Remeasurement gain	9,782	5,132	85
Analysis of net cash flows arising from the step acquisitions:			
Cash consideration	—	—	(15,000)
Less: Payable to the ex-shareholder	—	—	15,000
Add: Cash and cash equivalents acquired	70,212	3,805	994
Net cash inflow from the step acquisitions	70,212	3,805	994

Nanchang Guogao and Jiangxi Po Hu Feng Qing contributed revenue of RMB169,530,000 and net profit after tax of RMB18,753,000 to the Group for the period from 1 July 2018, the acquisition date, to 31 December 2018.

Jiangxi Life Sunshine City would contribute net loss after tax of RMB165,000 to the Group for the period from 17 November 2018, the acquisition date, to 31 December 2018. No revenue generated by Jiangxi Life Sunshine City during the year ended 31 December 2018.

If all the above step acquisitions had occurred on 1 January 2018, consolidated revenue and net profit after tax of the Group for the year ended 31 December 2018 would have been RMB7,313,500,000 and RMB1,420,230,000 respectively.

29 DISPOSAL OF ASSETS AND LIABILITIES HELD FOR SALES

On 1 January 2018, the Group completed the purchase of 10% equity interest of Shanghai Mingchang Real Estate Company Limited (上海明昌置業有限公司) ("Shanghai Mingchang") from the non-controlling interest at a consideration of approximately RMB18,540,000 which was prepaid in 2017. The Group recorded a decrease in non-controlling interest of approximately RMB28,350,000 against an increase in the balance in reserves of approximately RMB9,810,000 upon the completion of the purchase.

On 27 February 2018, the Group completed the disposal of 100% equity interest in Shanghai Mingchang at an adjusted consideration of approximately RMB644,644,000 to Shanghai Zhong Da Industry Development Company Limited (上海重達實業發展有限公司) ("Shanghai Zhong Da"), an independent third party.

29 DISPOSAL OF ASSETS AND LIABILITIES HELD FOR SALES (CONTINUED)

An analysis on the gain on disposal of assets and liabilities held for sales is as follows:

	RMB' 000
Consideration satisfied by cash consideration	644,644
Less: Net assets disposed of on the date of completion on 27 February 2018:	
– Property, plant and equipment	(466)
– Properties under development	(462,216)
– Deferred income tax assets	(2,194)
– Trade and other receivables, deposits and prepayments	(2,428)
– Cash and cash equivalents	(4,726)
– Amounts due to group companies	184,603
– Trade and other payables	61
	(287,366)
Less: Individual income tax paid for ex-shareholders for the acquisition in year 2016	(53,007)
Gain on disposal of a subsidiary, pre-tax	304,271
Less: PRC enterprise income tax payable upon disposal of a subsidiary	(92,402)
Gain on disposal of a subsidiary, net of tax	211,869

An analysis on net cash flows arising from the disposal:

Net cash consideration	644,644
Less: Receivable from Shanghai Zhong Da	(150,000)
Less: Deposit received in prior year	(67,180)
Less: Individual income tax paid for ex-shareholders for the acquisition in year 2016	(53,007)
Less: Cash and cash equivalents disposed	(4,726)
Net cash inflow	369,731

30 COMMITMENTS

(a) Capital commitments and property development commitments

	2018 RMB' 000	2017 RMB' 000
Contracted but not provided for:		
– Land use right	**414,387**	—
– Leasehold improvement	**1,628**	—
– Property development expenditures	**6,045,822**	2,244,062
– Acquisition of subsidiaries	**—**	146,446
– Capital injection to a joint venture	**—**	5,357

30 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

At 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of office as follows:

	2018 RMB' 000	2017 RMB' 000
No later than one year	**2,274**	904
Later than one year and no later than 5 years	**4,611**	272
	6,885	1,176

31 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

(a) Guarantees on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at the end of each of the following reporting periods:

	2018 RMB' 000	2017 RMB' 000
Guarantees in respect of mortgage facilities for certain purchasers of the Group' s properties	**5,932,804**	6,052,438

The Group has arranged bank financing for certain purchasers of the Group' s properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group' s guarantee period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

(b) The Company provides a corporate guarantee of AUD 70,000,000 to the subsidiary of Power Out International Ltd., a joint venture of the Group, for a loan facility which was fully utilised by the joint venture. The directors of the Company are of the opinion that it is not probable that the above guarantee will be called upon and the guarantee measured at fair value is immaterial.

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 31 December 2018 (2017: Nil).

32 EARNINGS PER SHARE

The basic earnings per share for the year ended 31 December 2018 is calculated based on the profit attributable to owners of the Company.

	2018	2017
Profit attributable to owners of the Company (RMB' 000)	**990,747**	862,237
Weighted average number of shares in issue	**3,551,609,322**	3,551,609,322
Basic earnings per share (RMB cents)	**27.90**	24.28

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the years ended 31 December 2018 and 2017.

33 AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS

Except for amounts due from non-controlling interest of RMB32,270,000, RMB50,000,000 and RMB15,000,000 which bear interest of 8.5%, 18% and 11% per annum respectively (2017: RMB207,518,000 and RMB15,000,000 which bears interest of 10% and 11% per annum respectively) and are secured by their interests in the Group' s subsidiaries, the amounts due from non-controlling interests are interest-free, unsecured and repayable on demand. The carrying values approximate their fair values and are denominated in RMB.

Except for amounts due to non-controlling interest of RMB368,337,000 which bears interest of 4.75% per annum (2017: Nil), the amounts due to non-controlling interests are interest-fee, unsecured and repayable in demand. The carrying values approximate their fair values and are denominated in RMB.

34 RELATED PARTY TRANSACTIONS

The Group is jointly controlled by Wong Yeuk Hung and Huang Ruoqing, who own 39.06% and 26.04% of the Company's shares respectively.

Major related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Company
Top Glory International Holdings Ltd. and its subsidiaries	An associate
Jiangxi Chang Da Rui Feng Technology Development Co., Ltd. 江西昌大瑞豐科技發展有限公司	An associate
Ganzhou Baoherun Co., Ltd. 贛州葆和潤實業有限公司	An associate
Xianyang Baorong Co., Ltd. 咸陽保榮實業有限公司	An associate
Lianyungang Hengrun Real Estate Co., Ltd 連雲港恒潤置業有限公司	An associate
Fengcheng Xinfei Property Development Co., Ltd 豐城市欣飛房地產開發有限公司	An associate
Fengcheng Liding Property Development Co., Ltd 豐城市力鼎房地產開發有限公司	An associate
Fengcheng Hending Property Development Co., Ltd 豐城市恆鼎房地產開發有限公司	An associate
Redco Industry (Jiangxi) Co., Ltd. 力高實業(江西)有限公司	A joint venture
Hui Gao Investments Development Ltd. and its subsidiary 匯高投資發展有限公司	A joint venture
Power Out International Holding Ltd. and its subsidiaries 力澳國際控股有限公司	A joint venture
Shenzhen Redco Hongye Property Development Co.,.Ltd. 深圳力高宏業地產開發有限公司	A joint venture
Wong Yeuk Hung (Mr. Wong) 黃若虹	A major shareholder and director of the Group (Note a)
Huang Ruoqing (Mr. Huang) 黃若青	A major shareholder and director of the Group

Note:

(a) Mr. Wong was appointed as an executive director and chairman of the Board with effect from 9 March 2017.

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties

(i) Amounts due from joint ventures

	2018 RMB' 000	2017 RMB' 000	Nature	Interest	Currency
Redco Industry (Jiangxi) Co., Ltd.	**—**	27,911	Non-trade	N/A	RMB
Jiangxi Po Hu Feng Qing Property Development Co., Ltd.	**—**	25,212	Non-trade	N/A	RMB
Power Out International Holding Ltd. and its subsidiaries	**4,844**	—	Non-trade	N/A	HK$
	4,844	53,123			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

(ii) Amounts due to joint ventures

	2018 RMB' 000	2017 RMB' 000	Nature	Interest	Currency
Shenzhen Redco Hongye Property Development Co., Ltd.	**2,737**	12,737	Non-trade	N/A	RMB
Hui Gao Investments Development Ltd. and its subsidiary	**9,830**	8,701	Non-trade	N/A	HK$
Power Out International Holding Ltd. and its subsidiaries	**—**	2,108	Non-trade	N/A	HK$
Nanchang Guogao Property Development Co. Ltd.	**—**	116,663	Non-trade	N/A	RMB
Redco Industry (Jianxi) Co., Ltd.	**11,189**	—	Non-trade	N/A	RMB
	23,756	140,209			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties (Continued)

(iii) Amounts due from associates

	2018 RMB' 000	2017 RMB' 000	Nature	Interest	Currency
Top Glory International Holdings Ltd. and its subsidiaries	**7,818**	6,721	Non-trade	N/A	RMB
Jiangxi Life Sunshine City Investment Co., Ltd.	**—**	16,000	Non-trade	N/A	RMB
Jiangxi Chang Da Rui Feng Technology Development Co., Ltd.	**10,000**	10,000	Non-trade	N/A	RMB
Lianyungang Hengrun Real Estate Co., Ltd	**146,660**	—	Non-trade	N/A	RMB
Ganzhou Baoherun Co., Ltd	**168,393**	—	Non-trade	10%	RMB
Fengcheng Liding Property Development Co., Ltd	**18,667**	—	Non-trade	N/A	RMB
Fengcheng Hengding Property Development Co., Ltd	**13,333**	—	Non-trade	N/A	RMB
	364,871	32,721			

(iv) Amounts due to an associate

	2018 RMB' 000	2017 RMB' 000	Nature	Interest	Currency
Xianyang Baorong Co., Ltd	**66,000**	—	Non-trade	N/A	RMB
	66,000	—			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

(b) Transactions with related parties

Save as disclosed in Note 30 (c), the Group has the following related party transactions:

(i) During the year ended 31 December 2018, the Group purchased property management service amounting to RMB25,833,000 (2017: RMB31,695,000) from Top Glory International Holdings Ltd. and its subsidiaries, at prices mutually agreed by contracted parties.

(ii) During the year ended 31 December 2018, the Group provided project management consultancy service amounting to RMB986,000 (2017: RMB 136,000) to its associates.

During the year ended 31 December 2017, the Group provided project management consultancy service amounting to RMB28,125,000 to its joint ventures.

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management includes executive directors and top management. The compensation paid or payable to key management for employee services is shown below:

	2018 RMB' 000	2017 RMB' 000
Salaries, bonus and other benefits	**19,916**	7,642
Pension costs - defined contribution plan	**476**	225
	20,392	7,867

35 DIVIDENDS

	2018 RMB' 000	2017 RMB' 000
Interim dividend of RMB 2.5 cents (2017: RMB 2 cents) per ordinary share	**88,790**	71,032
Proposed final dividend of RMB 3 cents (2017: RMB 3 cents) per ordinary share	**106,548**	106,548
	195,338	177,580

A final dividend for the year ended 31 December 2018 of RMB3 cents (2017: RMB 3 cents) per ordinary share, totally approximately RMB106,548,000 (2017: RMB106,548,000) has been recommended by the Board for approval at the forthcoming annual general meeting of the Company. The proposed final dividend has not been dealt with as dividend payable as at 31 December 2018.

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	2018 RMB' 000	2017 RMB' 000
ASSETS			
Non-current asset			
Investment in a subsidiary		389,362	389,362
Current assets			
Prepayments		730	733
Amounts due from subsidiaries		7,781,900	5,123,090
Cash and cash equivalents		707	348,323
		7,783,337	5,472,146
Total assets		8,172,699	5,861,508
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		139,632	139,632
Reserves	(a)	1,916,101	1,815,652
Total equity		2,055,733	1,955,284
Liabilities			
Non-current liability			
Borrowings		2,772,833	2,117,595
Current liabilities			
Accrued expense		154,539	24,913
Amount due to a subsidiary		1,432	1,435
Borrowings		3,188,162	1,762,281
		3,344,133	1,788,629
Total liabilities		6,116,966	3,906,224
Total equity and liabilities		8,172,699	5,861,508

The balance sheet of the Company was approved for issue by the Board of Directors on 29 March 2019 and were signed on its behalf:

WONG Yeuk Hung	**HUANG Ruoqing**
Director	*Director*

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a): Reserve movement of the Company

	Share premium RMB' 000	Contribution surplus RMB' 000	Exchange reserve RMB' 000	(Accumulated losses)/ retained earnings RMB' 000	Total RMB' 000
At 1 January 2017	1,241,423	390,766	111,934	(340,961)	1,403,162
Comprehensive income					
– Profit for the year	—	—	—	522,504	522,504
Other comprehensive loss					
– Currency translation differences	—	—	(38,982)	—	(38,982)
Total comprehensive income/(loss)	—	—	(38,982)	522,504	483,522
Transactions with owners					
– Dividend relating to 2017 interim	—	—	—	(71,032)	(71,032)
At 31 December 2017	1,241,423	390,766	72,952	110,511	1,815,652
Comprehensive income					
– Profit for the year	—	—	—	287,210	287,210
Other comprehensive income					
– Currency translation differences	—	—	8,577	—	8,577
Total comprehensive income	—	—	8,577	287,210	295,787
Transactions with owners					
– Dividend relating to 2017 final	—	—	—	(106,548)	(106,548)
– Dividend relating to 2018 interim	—	—	—	(88,790)	(88,790)
At 31 December 2018	1,241,423	390,766	81,529	202,383	1,916,101

37 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTOR) REGULATION (CAP. 622G) AND HK LISTING RULES

(a) *Directors' and chief executive's emoluments*

The remuneration of each director and the chief executive is set out below:

For the year ended 31 December 2018:

Name	Fees RMB'000	Salary (Note a) RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive Directors					
Mr.WONG Yeuk Hung	—	2,500	—	16	2,516
Mr. HUANG Ruoqing	—	2,500	—	16	2,516
Mr. TANG Chengyong	—	2,500	1,493	64	4,057
Independent non-executive directors					
Dr. WONG Yau Kar, David BBS, JP	215	—	—	—	215
Mr. CHAU On Ta Yuan	215	—	—	—	215
Mr. YIP Tai Him	215	—	—	—	215
Mr. CHOW Kwong Fai, Edward JP	258	—	—	—	258
	903	7,500	1,493	96	9,992

37 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTOR) REGULATION (CAP. 622G) AND HK LISTING RULES (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2017:

Name	Fees RMB'000	Salary (Note a) RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive Directors					
Mr.WONG Yeuk Hung	—	1,790	—	14	1,804
Mr. HUANG Ruoqing	—	2,000	—	16	2,016
Mr. TANG Chengyong	—	1,028	300	58	1,386
Mr. HONG Duxuan (Note c)	—	256	—	16	272
Independent non-executive directors					
Dr. WONG Yau Kar, David BBS, JP	216	—	—	—	216
Mr. CHAU On Ta Yuan	216	—	—	—	216
Mr. YIP Tai Him	216	—	—	—	216
Mr. CHOW Kwong Fai, Edward JP	260	—	—	—	260
	908	5,074	300	104	6,386

Note a:

Salary received by the executive directors included all emoluments paid or receivable in respect of directors' services in connection with the management of the Company and its subsidiary undertakings.

Note b:

Save as disclosed above, the directors did not receive or will not receive any other retirement benefits or termination benefits during the year (2017: Nil).

Note c:

Mr. HONG Duxuan resigned as an executive director with effect from 9 March 2017.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

38 SUBSEQUENT EVENTS

On 10 January 2019, the Company issued 13.5% senior notes due 2020 with an aggregate nominal value of US$250,000,000 at par value (the "13.5% Senior Notes due 2020"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US$247,000,000. The 13.5% Senior Notes due 2020 will mature on 21 January 2020, unless redeemed earlier.

On 27 March 2019, the Company entered into a facility agreement with certain financial institutions in respect of a US$175,000,000 term loan facility with a term of 36 months from the date of the facility agreement and at an interest rate of London Inter-bank Offered Rate plus 5.1% per annum.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements is set out below:

	2014 RMB' 000 (Restated)	2015 RMB' 000 (Restated)	2016 RMB' 000 (Restated)	2017 RMB' 000	**2018** **RMB' 000**
Revenue	3,502,804	3,378,217	5,270,090	6,734,067	**6,735,931**
Gross profit	946,257	1,088,246	1,085,339	1,676,440	**2,387,720**
Operating profit	694,442	813,665	945,198	1,541,213	**2,112,641**
Profit before income tax	706,728	832,421	960,748	1,597,867	**2,213,472**
Profit for the year	380,884	404,799	554,765	990,132	**1,296,428**
Attributable to:					
Owners of the Company	350,391	412,180	450,756	862,237	**990,747**
Non-controlling interests	30,493	(7,381)	104,009	127,895	**305,681**
	380,884	404,799	554,765	990,132	**1,296,428**
Non-Current Assets	319,603	340,961	674,523	2,219,846	**2,245,326**
Current Assets	9,271,681	12,886,234	14,180,183	17,652,161	**32,900,980**
Current Liabilities	5,263,074	7,367,955	7,987,529	11,015,003	**23,282,086**
Non-current Liabilities	2,266,314	2,933,970	3,462,142	4,247,704	**5,198,802**
Total Equity	2,061,896	2,925,270	3,405,035	4,609,300	**6,665,418**

Project	City	% of interest attributable to the Group	Actual/Expected completion date	Address	Project type
Spain Standard	Nanchang	100%	Q4 2014	Jinsha 2nd Road, Xianghu Xin Cheng, Nanchang County, Nanchang, Jiangxi Province, PRC	Residential and commercial
Riverside International	Nanchang	100%	Q4 2014	Intersection of Binjian Road and Yujin Road, Chaoyang Xin Cheng, Xihu District, Nanchang, Jiangxi Province, PRC	Residential and commercial
Bluelake County	Nanchang	100%	Q3 2016	South of Lian' an Road, East of Cheng' an Road, Xianghu Xin Cheng, Nanchang County, Nanchang, Jiangxi Province, PRC	Residential and commercial
Riverlake International	Nanchang	51%	Q2 2017	West of Chuangxin First Road, North and east of Planned Road, South of Provincial Academy of Scienes, Gaoxin District, Nanchang, Jiangxi Province, PRC	Residential and commercial
Imperial Metropolis	Nanchang	51%	Q4 2017	Lianhua Road, Nanchang County, Nan Chang, Jiangxi Province, PRC	Residential and commercial
Imperial Mansion	Nanchang	78%	Q4 2016	Lianhua Road, Nanchang County, Nan Chang, Jiangxi Province, PRC	Residential and commercial
Bluelake International	Nanchang	51%	Q4 2017	No.20 Qingshan North Road, Donghu District, Nanchang, Jiangxi Province, PRC	Residential and commercial
Luxurious Royal	Nanchang	51%	Q3 2019	South of Dongyue Avenue, East of Fusheng East Road, West of Taohua West Road, Changnan New City, Nanchang County, Jiangxi Province, PRC	Residential and commercial
Royal Family	Nanchang	30%	Q4 2018	West of National Road 320, National Stadium, Xiangtang Development Zone, Nanchang County, Jiangxi Province, PRC	Residential and commercial
The Garden of Spring	Nanchang	42%	Q2 2018	Zuokuyuan Village, Ruihong, Yugan County, Shangrao, Jiangxi Province, PRC	Residential and commercial
Scenery Bay	Nanchang	40%	Q3 2020	Longquan Road, Fengcheng City,Jiangxi Province, PRC	Residential and commercial
Delight Scenery	Nanchang	51%	Q4 2019	399 Changgang Street, High-tech Zone, Nanchang, Jiangxi Province, PRC	Residential and commercial
YONG Lake Scenic Center	Nanchang	51%	Q1 2021	Aixihu North Road, East Coast of Aixi Lake, Nanchang, Jiangxi Province, PRC	Residential and commercial
Life Sunshine Town	Nanchang	100%	Q4 2020	Xinjian District, Nanchang, Jiangxi Provice, PRC	Residential and commercial
The Phoenix	Nanchang	46%	Q4 2020	366 Fenghe North Avenue, Nanchang, Jiangxi Provice, PRC	Commercial
Golden Mansion	Nanchang	40%	Q4 2020	Fengquan Road, Longquan Road, Fengcheng City, Jiangxi Provice, PRC	Residential and commercial
Royal City	Nanchang	16%	Q4 2021	Junction of Dongyue Avenue and Dongxin 2nd Road, Nanchang, Jiangxi Provice, PRC	Residential and commercial
Fifth Avenue	Ganzhou	30%	Q4 2020	No. 3 Qinjiang Road, Zhangjiang New District, Ganzhou, Jiangxi Province, PRC	Residential and commercial
Sunshine Coast	Tianjin	100%	Q4 2028	South of Haibin Avenue, Binhai Tourism District, Tianjin, PRC	Residential and commercial

Project	City	% of interest attributable to the Group	Actual/Expected completion date	Address	Project type
Land Lot Nos. A1 and A2	Tianjin	100%	Q2 2018	Land Lot Nos. A1 and A2, Binhai Tourism District, Tianjin, PRC	Residential and commercial
Perfection Ocean	Tianjing	18%	Q3 2020	Hangu East Expansion Zone, Binhai New Area, Tianjin, PRC	Residential and commercial
Luminescence Ocean	Tianjing	23%	Q3 2020	Hangu East Expansion Zone, Binhai New Area, Tianjin, PRC	Residential and commercial
Cloud Metropolis	Ningbo	41%	Q2 2022	Fengyang Street, Yuyao City, Ningbo,Ningbo, Zhejiang Province, China	Residential and commercial
Splendid the Legend	Jinan	100%	Q2 2013	No.99 Sankongqiao Street, Tianqiao District, Jinan, Shandong Province, PRC	Residential and commercial
Bluelake County	Jinan	80%	Q4 2018	North of Sushan Road, West of Dongyu Avenue, Tianqiao District Jinan, Shandong Province	Residential and commercial
Royal Family	Jinan	51%	Q4 2018	No. 52 Zhangzhuang Road, Huaiyin District, Jinan, Shangdong Province, PRC	Residential and commercial
Imperial Mansion	Jinan	90%	Q4 2018	South of Jinqing Road, West of Shihe Street, Jinan, Shandong Province, PRC	Residential and commercial
Redco Visionary	Jinan	85%	Q4 2018	Southwest of Junction of Jing' er Road and Weisan Road, Jiyang County, Jinan, Shandong Province, PRC	Residential and commercial
Redco Visionary II	Jinan	85%	Q4 2021	Southwest of Junction of Jing' er Road and Weisan Road,Jiyang County, Jinan, Shandong Province, PRC	Residential and commercial
Spring Villa	Jinan	60%	Q2 2022	Juntion of the 308 National Highway and the Liuliu River, Qihe County, Dezhou,Jinan, Shandong Province, PRC	Residential and commercial
Sunshine Coast – Phase I	Yantai	100%	Q2 2016	East of Nongda Road, Gaoxin District, Yantai, Shandong Province, PRC	Residential and commercial
Sunhine Coast - Phase II	Yantai	100%	Q4 2018	East of Nongda Road, Gaoxin District, Yantai,Shandong Province, PRC	Residential and commercial
Sunhine Coast - Phase III	Yantai	100%	Q2 2019	East of Nongda Road, Gaoxin District, Yantai,Shandong Province, PRC	Residential and commercial
Sunshine Coast - Phase IV	Yantai	100%	Q4 2020	East of Nongda Road, Gaoxin District, Yantai, Shandong Province, PRC	Residential and commercial
Mix Kingdom Redco	Hefei	80%	Q2 2017	Mengcheng North Road, Shuangfeng Industrial Zone, Changfeng County, Hefei, Anhui Province, PRC	Residential and commercial
Prince Royal Family	Hefei	100%	Q2 2017	East of Fengshan Road, south of Tianshui Road, Xinzhan District, Hefei City, Anhui Province, the PRC	Residential and commercial
Royal International	Hefei	80%	Q2 2019	Southwest corner of the Junction of Baogong Avenue and Linquan East Road, Di' an Town, Feidong County, Anhui Province, PRC	Residential and commercial
Blelake City	Hefei	70%	Q2 2020	300 meters Junction North of Yangtze River Road and Zhenxi Road, Feidong County, Hefei, Anhui Province, PRC	Residential and commercial
Royal View City	Hefei	60%	Q2 2020	West side of Maqiao Road, Feidong County, Hefei, Anhui Province, PRC	Residential and commercial

Project	City	% of interest attributable to the Group	Actual/Expected completion date	Address	Project type
Funan Huaan City	Fu Yang	20%	Q2 2020	East side of Fushun Park, Linquan County, Fuyang City, Anhui Province, PRC	Residential and commercial
Linquan Huaan City	Fu Yang	20%	Q2 2020	South side of Linquan County Government,Linquan County, Fuyang City, Anhui Province, PRC	Residential and commercial
Redco Courtyard	Wuhan	70%	Q3 2020	Fengxiang Island Resort, Zhiyinhu Avenue, Caidian District, Wuhan, Hubei Province, PRC	Residential and commercial
Youthfulness	Wuhan	40%	Q2 2020	Intersection of Guanggu 4th Road and Shendun 3rd Road, Donghu New Technology Development Zone, Wuhan, Hubei Province, PRC	Commercial
Royal City - Phase I	Xianyang	70%	Q3 2017	Zhonghua West Road, Gaoxin District, Xiangyang, Shaanxi Province, PRC	Residential and commercial
Majestic Mansion	Xianyang	75%	Q4 2020	Southeast corner of the Junction of Tiangong First Road and Zhouwen Road, Zhouling Town, Xihan New District, Xianyang, Shaanxi Province, PRC	Residential and commercial
Royal Family	Xianyang	30%	Q4 2020	West of Qinhuang Road, North of Wenlin West Road, Xianyang City, Shaanxi Province, PRC	Residential and commercial
Royal International	Shenzhen	51%	Q2 2016	Lot No. G11337-0095, Pingshan New District, Shenzhen, Guangdong Province, PRC	Residential and commercial
Xilong	Shenzhen	20%	Q1 2020	Intersection of Longping Road and Longgang Avenue, Longgang, Shenzhen, Guangdong Provice, PRC	Residential and commercial
Jinhai Mansion	Nantong	49%	Q2 2020	Gangzha District, Nantong City, Jiangsu Province, PRC	Residential and commercial
Royal Family	Zhongshan	70%	Q2 2019	No. 46, Fuhua Road, West District, Zhongshan, Guangdong Province, PRC	Residential and commercial
Bluelake Landmark	Zhangshan	70%	Q3 2019	Donghuan Road, Huangpu Town, Zhongshan, Guangdong Province, PRC	Residential and commercial
Bayview	Quan Zhou	33%	Q4 2019	Junction of Kailin Road and Lianxiang Road, Taiwanese Investment Zone, Quanzhou, Fujian Province, PRC	Residential and commercial
Cloud Base	Suzhou	49%	Q4 2021	Suzhou Industrial Park, Gusu District, Suzhou City, Jiangsu Province, PRC	Residential and commercial
Yuchau Mansion	Lianyuengang	40%	Q2 2020	Junction of Julong Road and Hailian Road, Haizhou District, Lianyungang City, Jiangsu Province, PRC	Residential and commercial
Ninjiang New City	Meizhou	20%	Q1 2020	39 Xingnan Avenue, Xingning City, Meizhou City, Guangdong Province	Residential and commercial
Prime	Sydney, Australia	26%	Q1 2010	101 Waterloo Road, Macquarie Park, Sydney, Australia	Residential and commercial