Overseas Chinese Town (Asia) Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366

ANNUAL REPORT 2018

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. He Haibin *(Chairman)*
Ms. Xie Mei *(CEO)*
Mr. Lin Kaihua

Non-executive Director

Mr. Zhang Jing

Independent Non-executive Directors

Mr. Lu Gong
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

AUDIT COMMITTEE

Ms. Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Zhang Jing

REMUNERATION COMMITTEE

Ms. Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Zhang Jing

NOMINATION COMMITTEE

Mr. He Haibin *(Chairman)*
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Fong Fuk Wai *(FCPA, FCCA)*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

59/F., Bank of China Tower,
1 Garden Road, Hong Kong

REGISTERED OFFICE

Clifton House
PO Box 1350
75 Fort Street
Grand Cayman
Cayman Islands

AUDITOR

KPMG, Certified Public Accountants
8/F, Prince's Building, Central, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

LC Lawyers LLP
Suite 3106, 31/F One Taikoo Place
979 King's Road, Quarry Bay, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Dah Sing Bank, Limited
Hang Seng Bank Limited
Industrial Bank Co., Ltd. Hong Kong Branch
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK INFORMATION

Listing Date: 2 November 2005
Stock Code: 03366
Stock Short Name: OCT (ASIA)

COMPANY'S WEBSITE

http://www.oct-asia.com

AUTHORISED REPRESENTATIVES

Ms. Xie Mei
Mr. Fong Fuk Wai

Financial Highlights

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000 (Restated)	Changes (approximately)
Revenue from continuing operations	1,584,694	4,109,462	(61.4)%
Profit attributable to equity holders of the Company	798,702	1,106,804	(27.8)%
Dividend payable to owners of the Company during the year			
Proposed final dividend after the end of the reporting period	144,285	277,982	(48.1)%
Basic earnings per share (RMB)	0.77	1.59	(51.6)%

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

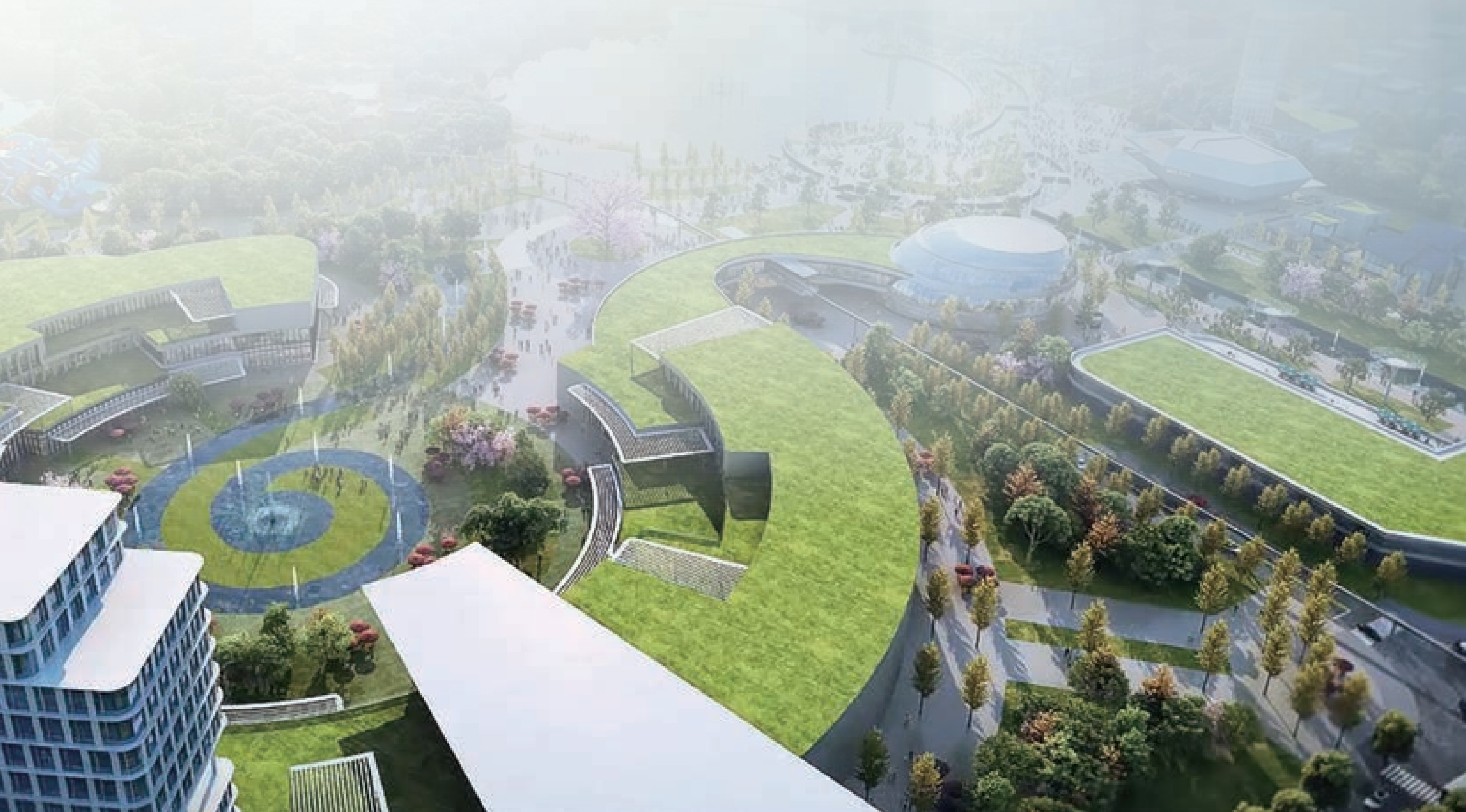
As at 31 December 2018

	2018 RMB'000	2017 RMB'000	Changes (approximately)
Cash at bank and on hand	3,222,953	6,927,464	(53.5)%
Total assets	25,078,807	23,745,516	5.6%
Total assets less current liabilities	14,510,942	14,529,016	(0.1)%
Equity attributable to equity holders of the Company	9,466,242	9,672,327	(2.1)%

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased, on behalf of Overseas Chinese Town (Asia) Holdings Limited (the "Company") and its subsidiaries (the "Group"), to present to all shareholders the operating results and annual report of the Group for the year ended 31 December 2018 (the "Period under Review"), and would like to express my sincere gratitude to all shareholders and all the staff.




Chairman
He Haibin

BUSINESS REVIEW

In 2018, China's domestic and external economic environment grew more complex and ever-changing. With respect to domestic economy, the deleveraging triggered a credit tightening and brought about short-term credit risks and long-term economic structural problems; while with respect to external environment, China-US trade friction has further undermined confidence in financial markets. Although the short-term economy has eased to some extent, the government has intensified its policy of "counter-cyclical adjustment", and the policy already begun to show its results in off-setting the downward economic pressure.

With regard to regulations and control of real estate industry, the government adhered to the principles of "houses are built to be inhabited, not for speculation" and "implementation of policies according to local conditions" and stressed the importance of continuity and stability of policies during 2018. In December 2018, the Ministry of Housing and Urban-Rural Development agreed at a meeting that the policy goal for 2019 would be "to stabilize the land and home prices and expectations". In the meantime, the central bank lowered the benchmark by one percentage point in January 2019 to release liquidity of market and improve the margin of funds. The real estate industry began to show fundamental improvement in terms of policies and funds.

During the Period under Review, faced with severe challenges from the external environment, the overall operation and financial condition of the Group remained stable despite some fluctuations in its performance. During the Period under Review, the Group recorded a revenue from continuing operations of approximately RMB1.58 billion, representing a year-on-year decrease of approximately 61.4%. Profit attributable to equity holders of the Company amounted to approximately RMB798.70 million, representing a year-on-year decrease of approximately 27.8%. The board of directors of the Company (the "Board") recommended the declaration of a final dividend of HK22.00 cents per ordinary share for the year ended 31 December 2018.

2018 was the second year that the Group implemented "the strategic transformation". During the Period under Review, the Group firmly implemented the development model of "integrated development + investment in urbanisation industrial ecosphere", finalizing the complete divestiture of the paper packaging business segment, and also making the main business of the Group more focused as well as strengthening the investment and financing segments. In terms of comprehensive development business, Shanghai Suhewan Project has opened the second Bulgari Hotel in China, which was also awarded the outstanding award of "China Real Estate Industry International Design Award* (中國地產行業國際性設計大獎)". Visitor flow from Chengdu OCT Happy Valley increased by 36.5% from the previous year. The overall rental rate of OCT Chang'an Metropolis, a commercial project, rose to nearly 90%, and increased the Changshu Industrial Park Project simultaneously. With respect to investment in urbanisation industrial ecosphere, based on a comprehensive assessment of factors such as policy orientation, industry prospects and corporate strategy, the Group focused on investing in Tongcheng-Elong and deployed resources for online tourism, strategically invested in Yuzhou Properties and E-House Enterprise to explore business synergies and resource

complementarity, and invested in Tianli Education to reserve quality education content for particular urbanization projects. In addition, in order to enrich the investment segment of the Group, the Company was devoted to developing its financial leasing business, marking its first step in 2018.

OUTLOOK

In 2019, the downward pressure on the macro economy will continue to persist. The pace of economic growth may slow down slightly due to the weak domestic and external demand. The Group is cautiously optimistic about the real estate industry in 2019. In order to control the risk of house price fluctuations and the implicit debt expansion of local governments, the possibility of a substantial relaxation of real estate policies is relatively low, and various control policies will continue to be stability-oriented. However, with the anticipation of a loose monetary environment and the rebound of market confidence, the overall opportunities in the industry outweigh the challenges.

Those who can read the situation are wise men, and those who can not only read the situation but also rein it will definitely win the world. 2019 is a critical year in which the Group will completely commence its “strategic transformation”. Notwithstanding the challenges from the economic cycle and the impact of the industrial movements, the Group will persist in its development model of “comprehensive development plus investment in the urbanisation industrial ecosphere” while seizing opportunities and overcome challenges. On the one hand, the Group will adhere to its two-wheel-drive model, i.e. driven by assets and capital, to consolidate its comprehensive development business while focusing on cultural tourism and urbanisation, and reserving, with greater efforts and in larger scale, comprehensive development projects that are scarce and risk-controllable through separate investment or cooperation with outstanding companies, accelerating the implementation of new projects, and strengthening the asset side; the Group will also catch the time window, rely on financial instruments and capital markets to revitalize its existing assets, increase funding sources, and allocate important resources to the projects with higher efficiency and value, as well as establish connection with the capital side. On the other hand, the Group will actively exploit the domestic and foreign capital markets and financial products to optimize its investment in the urbanisation industrial ecosphere, and heighten its efforts in project development by such means as direct investment, industrial funds, and financial leasing, and explore for new investment opportunities. Meanwhile, it will strengthen its linkage with the resources of its investees and further explore business synergies and resource complementation, making good use of the OCT brand and resources to help them grow, and continuing to complement and enrich the contents and essence of the urbanisation industrial ecosphere.

There is no winter we can’t withstand, and no spring we shouldn’t await. We will remain prudent and vigilant, strive for innovative development, and bravely march forward with the aim of creating ideal return on investment for our shareholders.

He Haibin
Chairman

Hong Kong, 29 March 2019


OCT 華僑城亚洲

Group Photo of the Directors and the Senior Management

Executive Director and CEO
XIE MEI

Management Discussion and Analysis

OPERATING RESULTS AND BUSINESS REVIEW

In 2018, China faced increasingly complex economic situations internationally and domestically. The escalation of the China-US trade conflict, appearance of risks from financial pressure and volatility and geopolitical tensions have led to continuous intensification of the instability internationally. Besides, the tightening credit resulted from deleveraging within the PRC caused a downturn in the demand from real economy. In light of complicated economic situations both internationally and domestically, the Chinese economic policies have seen significant adjustments with more proactive fiscal policies, faster issue of local government bonds and more rigorous tax and expense reduction measures. Meanwhile, the continuous reduction of fiscal reserve ratio requirement also highlighted the trend of loosening the monetary policies from the beginning of the year. Under these circumstances, the Group was committed to their new strategic positioning. With the new development mode of "comprehensive development + investment in the urbanisation industrial ecosphere" and through various channels along with careful selection, the Group expanded its investment project reserve and successfully completed the full divestiture of its paper packaging business at the end of the year, pushing forward the in-depth strategic transformation.

During the Period under Review, the continuing operations of the Group recorded a revenue of approximately RMB1.59 billion, representing a year-on-year decrease of approximately 61.4%, mainly due to the decrease in revenue from the Shanghai Suhewan Project among the comprehensive development business. Profit attributable to equity holders of the Company amounted to RMB798.70 million, representing a year-on-year decrease of approximately 27.8%. Basic earnings per share attributable to shareholders of the Company was approximately RMB0.77, representing a decrease of approximately 51.6% over the same period of 2017, mainly due to the decrease in profit attributable to comprehensive development business of the period and the increase in profit attributable to the holders of perpetual capital securities.

Management Discussion and Analysis

Comprehensive development business

In 2018, sticking to the philosophy that of "houses are built to be inhabited, not for speculation" and "leasing and purchasing", the real estate market continued to roll out a system which combined shortermism and longtermism and has seen intensive introduction of numerous control policies and enhancement of this system. The increase of the real estate development and investment and the sources of corporate funding remained stable. The property market was increasingly strong, driven by the commencement of construction, purchase of new land parcels, and an increasing housing price. However, the rise in land price has obviously flattened out and the sales of housing areas is also showing stable decline with continued divergence among different regions. The Group has always upheld the strategy of keeping a positive and prudent attitude to achieve steady development in the comprehensive development business in various key cities by leveraging the Group's brand equity and financial strength.

During the Period under Review, the comprehensive development business of the Group recorded a revenue of approximately RMB1.57 billion, representing a year-on-year decrease of approximately 61.8%. Profit attributable to equity holders of the Company amounted to approximately RMB479.27 million, representing a year-on-year decrease of approximately 61.2%.

Shanghai Suhewan Project (owned as to 50.5% by the Company)

The Shanghai Suhewan Project, which is developed by Overseas Chinese Town (Shanghai) Land Company Limited (華僑城（上海）置地有限公司) ("OCT Shanghai Land"), is favorably situated at the junction of Suzhou River and Huangpu River banks, adjoining the Bund and facing Lujiazui across the river and within the core district of the Inner Ring, Shanghai and possesses a highly sought-after landscape. The project comprises three parcels of land, namely 1 Jiefang, 41 Jiefang and 42 Jiefang with a total site area of approximately 71,000 sq.m., a gross floor area (above ground) of approximately 280,000 sq.m. and a total gross floor area of approximately 430,000 sq.m.. The Shanghai Suhewan Project is an integration of humanities, arts, fashion business, high-end residential area and urban entertainment. Products offered by the Shanghai Suhewan Project include waterfront multi-storey residential buildings, luxury residential properties, apartment-style offices, luxury hotels, boutique business premises and studios for artists, etc.

Management Discussion and Analysis

During the Period under Review, the Shanghai Suhewan Project was mainly engaged in the sales of waterfront multi-storey residential properties which are scarce in the market, luxury high-rise residential tower and some boutique business premises, which continue to draw much interest from the market. The sales volume of unit price over RMB100 million were among the tops in Shanghai high-end luxury residential properties market. During the Period under Review, the contracted sales area and amount of the Shanghai Suhewan Project were approximately 2,500 sq.m. and approximately RMB0.591 billion, respectively, and the settled area and amount were approximately 3,700 sq.m. and approximately RMB0.681 billion, respectively.

During the Period under Review, the building of Shanghai General Chamber of Commerce obtained the Three-Star Certificate of Green Building Design Label. On 20 June 2018, a new Bvlgari Hotel, which is ranked sixth in the world and second in China, had its official opening at Suhewan district, Shanghai and won the outstanding award of "China Real Estate International Design Award". The Shanghai Suhewan Project received numerous awards, which was a recognition for its overall project planning and product design, as well as a general acknowledgement to the development capability and product development of our OCT brand.

Chengdu OCT Project (owned as to 51% by the Company)

The Chengdu OCT Project, which is developed by Chengdu Tianfu OCT Industry Development Company Limited (成都天府華僑城實業發展有限公司) ("Chengdu OCT"), is a large comprehensive development project located at both sides of Shaxi Line of Outer Sanhuan Road of the Jinniu District in Chengdu City in the Sichuan Province. The project comprises a premium residential community, urban entertainment and commercial complex and a Happy Valley theme park, occupying a total site area of approximately 1,827,000 sq.m. and gross floor area of approximately 2,250,000 sq.m..

Management Discussion and Analysis

During the Period under Review, Chengdu OCT recorded a revenue of approximately RMB654.02 million. Its business mainly covers sales of high-end office properties, highrise residential properties, multi-storey residential properties and part of the low-density residential properties. During the Period under Review, the contracted sales area and amount of the residential and office properties of Chengdu OCT reached approximately 8,700 sq.m. and approximately RMB90 million respectively, while the settled area and amount were approximately 17,800 sq.m. and approximately RMB279 million respectively. The current rentable area for commercial use is approximately 123,600 sq.m., of which approximately 93% has been leased. Chengdu Happy Valley has attracted approximately 2.84 million visitors and achieved a revenue of approximately RMB305 million, representing a year-on-year growth of 36.5%.

During the Period under Review, Chengdu OCT along with its "OCT · Cloud Shore" (華僑城•雲岸) and "OCT · Walking Street" (華僑城•漫街) projects were awarded the "Award of Brand Real Estate Enterprise of China (Chengdu) Property Market for 2018", "Award of High-end Masterpiece of China (Chengdu) Property Market for 2018" and "Award of Potential Project of China

Management Discussion and Analysis

(Chengdu) Property Market for 2019" from Chengdu Business Daily, respectively.

OCT Chang'an Metropolis Project (owned as to 100% by the Company)

Located at the core business district of Zhonglou at the centre of Xi'an City, the OCT Chang'an Metropolis Project is a commercial landmark along the Chang'an Road. The project has a total gross floor area of approximately 104,700 sq.m., comprising high-end office properties such as Building No. 2 and Building No. 3, as well as part of the car parking space. During the Period under Review, 95% of the units in Building No. 2 of the OCT Chang'an Metropolis Project was leased with its rental rates at the forefront of Xi'an City office properties. Being the major project of the Group, Building No. 3 is a Grade A office property which is scarce in the market, and its profile enhancement and marketing activities for leasing are underway, with 85% of units being leased. The tenants of OCT Chang'an Metropolis currently include many of the top 500 enterprises in the world.

Chongqing OCT Land Project (owned as to 49% by the Company)

The Chongqing OCT Land Project, developed by Chongqing Overseas Chinese Town Land Co., Ltd. (重慶華僑城置地有限公司) ("Chongqing OCT Land"), is located at the Lijia Block in the New North Zone of Chongqing City. The project enjoys a supreme location with an attractive landscape, overlooking the panoramic view of the Jialing River with a Happy Valley theme park and the large greenery in the neighborhood. The project has a total site area of approximately 180,000 sq.m. and a total gross floor area of approximately 440,000 sq.m. Its major components comprise mid-to-high end high-rise residential properties and multi-storey residential properties. Several rounds of high-rise and multi-storey residential properties products of Chongqing OCT Land Project were launched in 2018. During the Period under Review, contracted sales area and amount under Chongqing OCT Land Project reached approximately 52,800 sq.m. and approximately RMB855.00 million respectively. The settled area and amount were approximately 167,100 sq.m. and approximately RMB1,694 million, respectively. During the Period under Review, the project contributed approximately RMB41.51 million in investment return to the Group.

Xi'an OCT Project (owned as to 25% by the Company)

Located at No. 2 of Second Beichitou Road, to the east of Tang Paradise, Qujiang New District, Xi'an City, Shaanxi Province, the Xi'an OCT Project is in proximity

Management Discussion and Analysis

to several famous scenic spots and has a total site area of approximately 137,000 sq.m. The project mainly comprises low-density residential properties. During the Period under Review, contracted sales area and amount reached approximately 8,800 sq.m. and approximately RMB185 million respectively. The settled area and amount were approximately 8,900 sq.m. and approximately RMB176 million, respectively.

CTDC Development Project (owned as to approximately 33.33% by Chengdu OCT)

Chengdu Culture & Tourism Development Company Limited (成都文化旅遊發展股份有限公司) ("CTDC Development") owns the Xiling Snow Mountain Ski Resort in the national forest park "Xiling Snow Mountain", a national 4A tourist attraction, as well as the high-quality assets including the auxiliary hotels and cableway in Dayi County in Chengdu City in the Sichuan Province. Its shares were listed on the National Equities Exchange and Quotation System (also known as the New Third Board). During the Period under Review, CTDC Development attracted approximately 0.91 million visitors. It contributed approximately RMB16.13 million in investment return to the Group.

Chengdu Baoxin Quansheng Project (owned as to 50% by Chengdu OCT)

The Chengdu Baoxin Quansheng Project, developed by Chengdu Baoxin Quansheng Real Estate Development Company Limited (成都市保鑫泉盛房地產開發有限公司), is located at Jinniu District in Chengdu City with a total site area of approximately 58,300 sq.m. and the total GFA of not more than 174,900 sq.m., and was mainly used for the development of high-rise residential properties, lower-floor shops, commercial duplexes, apartment buildings and underground car parking spaces. During the Period under Review, contracted sales area and amount under Chengdu Baoxin Quansheng Project reached approximately 203,200 sq.m. and approximately RMB2,365 million respectively. The settled area and amount were approximately 192,500 sq.m. and approximately RMB2,138 million, respectively. During the Period under Review, it contributed approximately RMB229.24 million in investment return to the Group.

Management Discussion and Analysis

OCT (Changshu) Project (owned as to 100% by the Company)

During the Period under Review, OCT (Changshu) Investment and Development Co., Ltd.* (華僑城（常熟）投資發展有限公司) obtained the land use rights of an industrial land parcel with a total site area of approximately 53,652 sq.m. located in the Tonggang Industrial Park* (通港工業園) within the Economic Development Zone of Changshu City for a consideration of approximately RMB18.78 million, and planned to develop the land parcel into industrial parks.

Yuzhou Properties (owned as to 9.98% by the Company)

During the Period under Review, the Group subscribed 9.9% equity interests in Yuzhou Properties Company Limited ("Yuzhou Properties", stock code: 1628.HK). Yuzhou Properties is primarily engaged in property development, property investment, property management and hotel operation in China and Hong Kong. The Group will positively explore business cooperation with it to form strategic synergy and complementary advantages.

Investment in the Urbanisation Industrial Ecosphere Business

As the only offshore listed platform under Overseas Chinese Town Group Company Limited (華僑城集團有限公司) ("OCT Group"), the controlling shareholder of the Company, the Group will explore and attempt ways to combine financial innovation with our industrial strength through various ways including domestic and overseas investments, mergers and acquisitions as well as industrial investment. In 2018, the Group made investments in Tongcheng-Elong Holdings Limited ("Tongcheng-Elong", stock code: 0780.HK) in culture and tourism industry, Tianli Education International Holdings Limited ("Tianli Education", stock code: 1773.HK) in education industry, as well as E-House (China) Enterprise Holdings Limited ("E-House Enterprise", stock code: 2048.HK) in real estate service industry.

During the Period under Review, the segregated portfolio of New China Innovation Fund SPC, of which the Group is one of the founding shareholders, achieved profit taking with investment return of approximately RMB113.79 million. The fund invested in the interest of a high technology company.

During the Period under Review, Shanghai Libao Huachen Fund, of which the Group is one of the founding shareholders, invested in a number of projects including those in the culture and sports industries. During the Period under Review, the Capital Fortune Investment New Industries Investment Fund in Shenzhen, of which the Group is one of the founding shareholders, invested in a number of projects including those in the new energy and electronic industries.

Finance Lease Business

During the Period under Review, OCT Financial Leasing Co., Ltd. (華僑城融資租賃有限公司), a wholly-owned subsidiary of the Group, kicked off sale and leaseback business of equipments with companies including Yibin Grace Co., Ltd., marking the first step on our finance lease business. During the Period under Review, the Group recorded a revenue of approximately RMB13.19 million from finance lease business and profit attributable to equity holders of the Company amounted to approximately RMB4.38 million.

Paper packaging business

During the Period under Review, the Group has fully withdrawn from paper packaging business, but kept part of the land and the plants of the original paper packaging companies and transformed them into industrial parks to continue operations.

Management Discussion and Analysis

OUTLOOK

Looking ahead to 2019, economic fluctuations may accelerate amid the growing global economic uncertainties. While slower growth in domestic economy is expected to continue, the pressure posed by downward economy is expected to ease progressively following the continuous adjustments in several policies. As the government has been progressively adjusting with deleveraging policy to release the liquidity and facilitate moderate growth in monetary credit, the proactive fiscal policies and relatively loose monetary policies were implemented to stabilise downward economy, so as to maintain stable employment and financial market. The government also actively seeks for solutions to alleviate trade friction to further avoid comprehensive economic cold war, and accelerates the progress of economic reform and liberalization to boost confidence from enterprises and the market, aiming to facilitate the economic transformation and upgrade as well as continuously maintaining its healthy development of real economy.

INNOVATIVE DEVELOPMENT CONCEPTS

OCT Group, the controlling shareholder of the Group, participates in the national new urbanisation construction with the innovative development mode of “culture + tourism + urbanisation”, and of “tourism + internet + finance”, through its five development focus, namely “cultural industry sector, tourism industry sector, new urbanisation, electronic industry sector and relevant business investment”.

As OCT Group’s only offshore listed platform, the Group will adopt new development mode of “comprehensive development + investment in the urbanisation industrial ecosphere”. The Group will develop the comprehensive development business with added vigour and on a larger scale by fully leveraging the Group’s brand equity and financial strength, and by securing high-quality projects from the areas of prime cities and OCT urbanisation projects. The Group will also actively leverage the domestic and overseas capital markets along with financial products, intensifying its project development to seek new investment opportunities through domestic and overseas investments, mergers and acquisitions, industrial funds, financial leasing and others methods.

Comprehensive development business

In 2019, the Group’s various control policies will continue to be stability-oriented. These policies will ensure the steady development of the real estate market, with philosophy of “houses are built to be inhabited, not for speculation” and “leasing and purchasing” in mind. The Group’s policy may be adjusted in order to ensure reasonable housing consumption for the residents, with the effects of previous controls on the consumption of housing in mind. Meanwhile, the further loosening monetary policy is expected to facilitate improvements in the aspect of real estate market demand.

In 2019, the various comprehensive development projects of the Group are as follows: Shanghai Suhewan Project will push forward the leasing activities for the commercial properties surrounding Bvlgari Hotel in order to consolidate the market benchmark role of Bvlgari Residence. The Chengdu OCT Project will primarily launch high-end apartments and the high-end customised villa in the only eyot of downtown Chengdu, and will continue its sale of boutique community commercial properties with a total saleable area of approximately 189,000 sq.m.. As to the Chongqing Land Project, a new batch of high-rise and multi-storey residential products with a total saleable area of approximately 176,000 sq.m. will be launched. For the OCT (Changshu) Project, the planning and design work is scheduled to be completed and the construction is expected to commence in the first half of 2019, and the project is expected to be released for leasing from 2020. With combined geographical advantages and integrated surrounding resources, the Group will explore and push forward timely planning, development and construction of idle lands for its existing industrial lands.

Management Discussion and Analysis

The Group will also continue to adhere to advanced development philosophy and clear market orientation, pushing forward its comprehensive development business with added vigour and on a larger scale. It will stay on the outlook for diversified investment opportunities, with a view to strengthening the strategic synergy and business cooperation with investment enterprises. Through various ways such as acquisition, cooperation and equity investment, we will acquire high-quality lands at low cost to increase resource reserve for the projects, so as to expand and enhance our comprehensive development business.

Investment in the Urbanisation Industrial Ecosphere Business

In 2019, aiming at key areas including culture, travel, education, healthcare and urbanisation, the investment business of the Group will continuously select high-quality projects that meet our strategic orientation with due care, and strive for new equity investment opportunities, so as to build the urbanisation industrial ecosphere and the industrial cooperation alliance, continuously enriching and expanding the contents and essence of the urbanisation projects. In the future, the Group's fund management companies will be based in Guangdong-Hong Kong-Macao Greater Bay Area, radiating outwards throughout China with its main focus on industries having strong synergy with urbanisation industrial ecosphere so as to reserve high quality resources for the Company.

Finance Lease Business

In 2019, the Group will continuously engage in the finance lease business in sectors such as theme parks and the manufacturing industry with a primary focus on customer base such as large to mid-scale state-owned enterprises and high quality listed companies, improve its risk management and push forward the development of the business in order to achieve stable operating income.

FINANCIAL REVIEW

As at 31 December 2018, the Group's total assets amounted to approximately RMB25.08 billion, representing an increase of approximately 5.6% over that as at 31 December 2017; the Group's total equity amounted to approximately RMB12.91 billion, representing a decrease of approximately 3.1% over that as at 31 December 2017.

For the year ended 31 December 2018, the Group realised revenue from the continuing operations of approximately RMB1.59 billion, representing a decrease of approximately 61.4% over the same period of 2017, of which, revenue of the comprehensive development business was approximately RMB1.57 billion, representing a decrease of approximately 61.8% over the same period of 2017, primarily due to the decrease in revenue from the Shanghai Suhewan Project; and revenue of the finance lease business, a new business of the period, amounted to approximately RMB13.19 million.

For the year ended 31 December 2018, the Group's gross profit margin from the continuing operations was approximately 35.2% (2017: approximately 37.7%), representing a decrease of 2.5 percentage points over the same period of 2017, of which, the gross profit margin of the comprehensive development business was approximately 34.7%, representing a decrease of 3.0 percentage points over the same period of 2017, mainly due to the increase in unit cost of sales; and the gross profit margin of the finance lease business was approximately 81.0%. The net profit margin of the comprehensive development business attributable to equity holders of the Company was approximately 30.5%, which was approximate to that of the same period of 2017; and the net profit margin attributable to the finance lease business was approximately 33.2%.

Management Discussion and Analysis

Discontinued operation represents paper packaging business. The profit from discontinued operation was approximately RMB68.27 million for the period, representing an increase of approximately 606.6% over the same period of 2017, primarily due to the increase of approximately RMB44.76 million in the gain on disposal of equity interests of subsidiaries engaging in paper packaging business and the rise in gross profit of products.

For the year ended 31 December 2018, profit attributable to equity holders of the Company was approximately RMB798.70 million, representing a decrease of approximately 27.8% over the same period of 2017, of which, profit attributable to the comprehensive development business was approximately RMB479.27 million, representing a decrease of approximately 61.2% over the same period of 2017, mainly due to the decrease in gain on disposal of equity interests in subsidiaries engaging in comprehensive development business; profit attributable to the finance lease business was approximately RMB4.38 million; and profit attributable to the investment and fund business was approximately RMB50.79 million as compared with loss of approximately RMB43.95 million over the same period of 2017, mainly due to the significant increase in investment income.

For the year ended 31 December 2018, the basic earnings per share attributable to shareholders of the Company was approximately RMB0.77, representing a decrease of approximately 51.6% over the same period of 2017 (2017: approximately RMB1.59), mainly due to the decrease in profit attributable to comprehensive development business and the increase in profit attributable to the holders of perpetual capital securities during the period.

Distribution Costs and Administrative Expenses

The Group's distribution costs from the continuing operations for the year ended 31 December 2018 were approximately RMB124.74 million (2017: approximately RMB215.45 million), representing a decrease of approximately 42.1% over the same period of 2017, of which, distribution costs of the comprehensive development business were approximately RMB124.74 million, representing a decrease of approximately 42.1% over the same period of 2017, which was mainly due to the decrease in sales commissions and advertising expenses as a result of decline in revenue from the comprehensive development business.

The Group's administrative expenses from the continuing operations for the year ended 31 December 2018 were approximately RMB334.30 million (2017: approximately RMB265.23 million), representing an increase of approximately 26.0% over the same period of 2017, of which, administrative expenses of the comprehensive development business were approximately RMB256.88 million, representing an increase of approximately 28.1% over the same period of 2017, which was mainly due to the increase in labor costs and expenses arising from the commencement of the operation of OCT Bvlgari Hotel held by OCT Shanghai Land during the period; administrative expenses of the finance lease business were approximately RMB2.43 million; and administrative expenses of the investment and fund business were approximately RMB15.52 million, representing an increase of approximately 364.7% over the same period of 2017, which was mainly due to the increase in labour costs and agent fee as a result of the expansion in the operation scale of the investment and fund business.

Management Discussion and Analysis

Interest Expenses

The Group's interest expenses from the continuing operations for the year ended 31 December 2018 were approximately RMB175.06 million (2017: approximately RMB187.94 million), representing a decrease of approximately 6.9% over the same period of 2017, of which interest expenses of the comprehensive development business were approximately RMB82.42 million, representing a decrease of approximately 49.5% over the same period of 2017, mainly due to the decrease in the amount of the loans related to the comprehensive development business; interest expenses of the finance lease business were approximately RMB2.51 million; and interest expenses of the investment and fund business were approximately RMB90.13 million, representing an increase of approximately 265.2% over the same period of 2017, mainly due to the increase in the amount of the loans related to the investment and fund business as a result of the expansion in the operation scale.

Dividends

The Board has resolved to recommend the payment of a final dividend of HK22.00 cents per ordinary share for the year ended 31 December 2018 (2017: HK48.00 cents per ordinary share).

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2018 was approximately RMB12.91 billion (31 December 2017: approximately RMB13.31 billion). As at 31 December 2018, the Group had current assets of approximately RMB11.57 billion (31 December 2017: approximately RMB15.77 billion) and current liabilities of approximately RMB10.57 billion (31 December 2017: approximately RMB9.22 billion). The current ratio was approximately 1.09 as at 31 December 2018, representing a decrease of 0.62 as compared with that as at 31 December 2017 (31 December 2017: approximately 1.71), mainly due to inventory of approximately RMB1.96 billion being transferred from current assets to non-current assets and a number of additional long-term equity investment projects during the period. The Group generally finances its operations with internally generated cash flow, credit facilities provided by banks and shareholder's loans.

As at 31 December 2018, the Group had outstanding bank and other loans of approximately RMB6.39 billion, without any fixed-rate loans (31 December 2017: outstanding bank and other loans of approximately RMB5.01 billion, without any fixed-rate loans). As at 31 December 2018, the interest rates of bank and other loans of the Group ranged from 3.14% to 6.38% per annum (31 December 2017: ranged from 1.28% to 6.38% per annum). Some of those bank loans were secured by certain assets of the Group and corporate guarantees provided by certain related companies of the Company. The Group's gearing ratio (being the total borrowings including bills payable and loans divided by total assets) was approximately 33.6% as at 31 December 2018, representing an increase of 6.6 percentage points as compared with approximately 27.0% as at 31 December 2017, mainly due to the increase in the amount of loans as at the end of the period.

As at 31 December 2018, approximately 88.9% of the total amount of outstanding bank and other loans of the Group amounting to approximately RMB5.68 billion was denominated in Hong Kong Dollars (31 December 2017: approximately 81.6%); and approximately 11.1% of which amounting to approximately RMB708.50 million was denominated in Renminbi (31 December 2017: approximately 18.4%). As at 31 December 2018, approximately 67.6% of the total amount of cash at bank and on hand of the Group was denominated in United States Dollars (31 December 2017: approximately 54.4%), approximately 30.3% of which was denominated in Renminbi (31 December 2017: approximately 34.4%) and approximately 2.1% of which was denominated in Hong Kong Dollars (31 December 2017: approximately 11.2%).

Management Discussion and Analysis

The Group's liquidity position remains stable. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars and United States Dollars. For the year ended 31 December 2018, the Group has not experienced any material difficulties in or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. For the year ended 31 December 2018, the Group did not enter into any foreign exchange forward contracts and other material financial instruments for hedging foreign exchange risks purpose.

Contingent Liabilities

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate, the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but is usually within a range of 0% to 5% of the mortgage loans granted to buyers, with prescribed capped amount.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore are recognised in respect of these guarantees.

As at 31 December 2018, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to approximately RMB823.99 million (31 December 2017: approximately RMB427.79 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed approximately 1,735 full-time staff members. The basic remunerations of the employees of the Group are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities will be offered to all staff members. Salaries of the employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits, the Group also provides discretionary bonuses based on the Group's results and the individual performance of the staff.

During the Period under Review, the Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staffs. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years.

Management Discussion and Analysis

IMPORTANT EVENTS

Cancellation of convertible preference shares

On 26 April 2018, the Company has converted 96,000,000 convertible preference shares of the Company ("Convertible Preference Shares") and issued 96,000,000 new ordinary shares at the conversion price of HK$4.05 per ordinary share to Pacific Climax Limited ("Pacific Climax").

After the said conversion of the Convertible Preference Shares, the Company has no outstanding Convertible Preference Shares in issue. On 5 June 2018, the Shareholders approved special resolutions in relation to cancellation of the Convertible Preference Shares which had not been taken or agreed to be taken by any person, and diminishing the amount of its share capital by the amount of the Shares so cancelled, and amendments of the memorandum and articles of association of the Company to reflect to the said cancellation. For further details, please refer to the announcements of the Company dated 27 April 2018 and 8 May 2018 and the supplemental circular of the Company dated 8 May 2018.

Disposal of Huali Packaging (Huizhou) Co., Ltd.

Following the completion of transfer of 85% equity interest in Huali Packaging (Huizhou) Co., Ltd. ("Huali Packaging (Huizhou)") in April 2018, the Group entered into an equity transfer agreement with the successful bidder in June 2018 to sell 15% equity interest in Huali Packaging (Huizhou) at the consideration of approximately RMB12.92 million. Upon completion of the disposal, the Group no longer held any equity interest in Huali Packaging (Huizhou). For further details, please refer to the announcement of the Company dated 15 June 2018.

Acquisition of 5.11% equity interest in Tongcheng-Elong

On 10 May 2018, City Legend International Limited ("City Legend"), an indirect wholly-owned subsidiary of the Company, and Suzhou Wan Cheng Sheng Da Travel Development Limited* (蘇州萬程晟達旅遊發展有限公司) ("Suzhou Wancheng") entered into equity transfer agreements, pursuant to which City Legend agreed to acquire 5.11% equity interest in Tongcheng-Elong at the consideration of approximately RMB1.18 billion. For further details, please refer to the announcements of the Company dated 10 May 2018 and 22 June 2018 and the circular of the Company dated 30 August 2018.

Acquisition of Changshu Land

On 25 June 2018, OCT (Changshu) Investment and Development Co., Ltd. ("OCT Changshu"), a non wholly-owned subsidiary of the Company, won the bid for the land use rights of a land parcel located in Changshu City at the base bid price of approximately RMB18.78 million. OCT Changshu entered into a land transfer agreement with the Land and Resources Bureau to acquire the Changshu Land at the consideration of approximately RMB18.78 million. For further details, please refer to the announcement of the Company dated 27 June 2018.

Cornerstone Investment in Tianli Education

On 26 June 2018, City Legend entered into a cornerstone investment agreement with Tianli Education, pursuant to which City Legend agreed to subscribe for the investor shares of Tianli Education at the offer price as part of the international offering. The subscription was completed on 12 July 2018 at a total effective subscription price of approximately HK$268.68 million, representing 4.82% of the issued share capital of Tianli Education after full exercise of over-allotment option. For further details, please refer to the announcement of the Company dated 26 June 2018.

Management Discussion and Analysis

Cornerstone Investment in E-House Enterprise

On 5 July 2018, City Legend entered into a cornerstone investment agreement with E-House Enterprise, pursuant to which City Legend agreed to acquire the investor shares of E-House Enterprise at the offer price as part of the international offering. The subscription was completed on 20 July 2018 at a total effective subscription price of approximately HK$1.07 billion, representing 4.99% of the issued share capital of E-House Enterprise. For further details, please refer to the announcement of the Company dated 5 July 2018 and the circular of the Company dated 24 September 2018.

Acquisition of 9.98% equity interest in Yuzhou Properties

On 31 August 2018, City Legend entered into a subscription agreement with Yuzhou Properties, pursuant to which City Legend agreed to subscribe 9.90% of the enlarged issued share capital of Yuzhou Properties, at the aggregate subscription price of approximately HK$1.82 billion. For further details, please refer to the announcement of the Company dated 31 August 2018 and the circular of the Company dated 26 October 2018.

On 16 November 2018, Yuzhou Properties declared a scrip dividend scheme in relation to the interim dividend of 2018, and the Group selected for receiving the interim dividend wholly in new and fully paid shares in lieu of cash. The total shares of Yuzhou Properties held by the Group accounted for 9.98% of Yuzhou Properties's issued share capital after the scrip dividend scheme.

Sale and Leaseback Arrangement

On 11 September 2018, OCT Financial Leasing Co., Ltd. (華僑城融資租賃有限公司) ("OCT Financial Leasing"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Yibin Grace Co., Ltd ("Yibin Grace"), pursuant to which OCT Financial Leasing agreed to acquire the equipment and machinery used for manufacturing textile related products ("Equipment") at the consideration of RMB300.00 million.

On the same date, OCT Financial Leasing also entered into a leaseback agreement with Yibin Grace, pursuant to which OCT Financial Leasing agreed to lease the Equipment to Yibin Grace at the interest rate of 5.45% per annum for a term of 60 months. The lease consideration payable by Yibin Grace to OCT Financial Leasing comprises a security deposit of RMB30.00 million, a service fee of RMB9.00 million and the aggregate lease payments amounting to approximately RMB342.90 million. For further details, please refer to the announcement of the Company dated 11 September 2018.

Disposal of 51% equity interest in Chengdu Tianfu OCT Lakeside Business Management Co. Ltd.

On 24 December 2018, Chengdu OCT, Zhongbao Investment Overseas Chinese Town (Shenzhen) Tourism Cultural City Renewal Equity Investment Fund Partnership (Limited Partnership)* (中保投華僑城(深圳)旅遊文化城市更新股權投資基金合夥企業(有限合夥), "Zhongbao Investment Fund") and Chengdu Tianfu OCT Lakeside Business Management Co. Ltd.* (成都天府華僑城湖濱商業管理有限公司, "OCT Lakeside") (a wholly-owned subsidiary of Chengdu OCT) entered into an equity transfer agreement, pursuant to which Chengdu OCT agreed to sell 51% equity interest in OCT Lakeside to Zhongbao Investment Fund at the consideration of approximately RMB60.53 million. For further details, please refer to the announcement of the Company dated 24 December 2018.

Management Discussion and Analysis

Disposal of 100% equity interest in Zhongshan Huali

On 27 December 2018, Wantex Investment Limited (榮添投資有限公司), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the successful bidders in the public tender to dispose of 100% equity interest in Zhongshan Huali to the successful bidders at the total consideration of approximately RMB150.29 million. The disposal indicated that the Group has fully withdrawn from its paper packaging business. For further details, please refer to the announcements of the Company dated 25 October 2018, 23 November 2018 and 27 December 2018.

SUBSEQUENT EVENT(S)

On 26 March 2019, Shenzhen Huajing Investment Limited ("Shenzhen Huajing"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement ("Cooperation Agreement") with Zhuhai Yiyun Real Estate Limited ("Zhuhai Yiyun"), Xiamen Yuzhou Grand Future Real Estate Development Company Limited ("Xiamen Yuzhou", a wholly owned subsidiary of Yuzhou Properties), and Zhongshan Yuhong Real Estate Development Limited ("Zhongshan Yuhong"), pursuant to which Shenzhen Huajing agreed to acquire and Xiamen Yuzhou agreed to sell (i) 21% of equity interest in Zhongshan Yuhong at a consideration of approximately RMB1.26 million; and (ii) debt interest in the principal amount of approximately RMB331.55 million owing by Zhongshan Yuhong to Xiamen Yuzhou together with the interest at an annual rate of 8% accrued thereon for a consideration equivalent to the amount of the debt interest. Pursuant to the Cooperation Agreement, the total capital commitment to the Target Company to be provided by the shareholders of the Target Company shall not exceed RMB4.5 billion, of which no more than RMB945 million shall be attributable to Shenzhen Huajing, which is in proportion to its equity interest to be held in the Target Company

The acquisition is the first strategic cooperation reached between the Group and Yuzhou Properties after obtaining its 9.98% equity interest in 2018. For further details, please refer to the announcement of the Company dated 26 March 2019.

Directors and Senior Management

DIRECTOR

Executive Directors

Mr. He Haibin, aged 44, being the chairman of the Board and a Senior Accountant* (高級會計師) of the Company, joined the Group in 2017. He also serves as the chairman of Overseas Chinese Town (HK) Company Limited ("OCT (HK)") (the beneficial owner of all the issued share capital in Pacific Climax Limited, which is the controlling shareholder of the Company) and as the chief accountant and secretary for the board of OCT Group (the controlling shareholder of Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司) ("OCT Ltd.") (the beneficial owner of all the issued share capital in OCT (HK) and listed on the Shenzhen Stock Exchange). Mr. He currently also serves as a non-executive director of China Everbright Bank Co., Ltd., which is listed on the Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a director of each of Konka Group Company Limited (康佳集團股份有限公司) ("Konka Group") (a non wholly-owned subsidiary of OCT Group and listed on the Shenzhen Stock Exchange), Yunnan World Expo Tourism Holding Group Company Limited* (雲南世博旅遊控股集團有限公司) (an indirect non wholly-owned subsidiary of OCT Group), Yunnan Cultural Industry Investment Holding Group Company Limited (雲南文化產業投資控股集團有限責任公司), Huaneng Capital Services Corporation Ltd. (華能資本服務有限公司), OCT (Yunnan) Investment Co., Ltd. (華僑城（雲南）投資有限公司) and Shenzhen Guangming Group Co., Ltd. (深圳市光明集團有限公司). Mr. He currently also serves as the chairman of Shenzhen OCT Capital Investment Management Company Limited* (深圳華僑城資本投資管理有限公司) (a wholly-owned subsidiary of OCT Group). Mr. He joined OCT Group in 1996. Mr. He had acted as the non-executive Director of the Company from 2010 to 2013. Mr. He had also acted as the vice chief financial officer of OCT Group; the chief financial officer of each of OCT (HK), Shenzhen OCT Seaview O.City Hotel Limited* (深圳華僑城海景奧思廷酒店有限公司) (a subsidiary of OCT Ltd.), and Shenzhen OCT Grand Hotel Company Limited* (深圳華僑城大酒店有限公司). Save as aforesaid, Mr. He has also held and had also held senior positions in the other subsidiaries of OCT Group. Mr. He majored in auditing and graduated from Sun Yat-Sen University (中山大學) in 1996 with a bachelor's degree in management. He also obtained a master's degree in management from Chinese Academy of Fiscal Sciences (中國財政部財政研究所) in 2002. Mr. He currently also serves as the chairman of the Nomination Committee (the "Nomination Committee") of the Company.

Ms. Xie Mei, aged 51, being the executive Director and chief executive officer of the Company, joined the Group in 2004. Ms. Xie is also the president assistant of OCT Ltd., the managing director of Overseas Chinese Town (HK) Company Limited, a director of Xi'an OCT Investment Ltd. (西安華僑城實業有限公司) ("OCT Xi'an Industry") and Yunnan OCT Industrial Co., Ltd. (雲南華僑城實業有限公司) (both are the subsidiaries of OCT Ltd.), and the deputy general manager of Shenzhen OCT Capital Investment Management Company Limited* (深圳華僑城資本投資管理有限公司). She is also the chairman of Xi'an OCT Land Co., Ltd. (西安華僑城置地有限公司) ("Xi'an OCT Land") (a wholly-owned subsidiary of the Company) and a director of most of the subsidiaries of the Company whilst acting as a non-executive director of Yuzhou Properties and E-House Enterprise listed on the Main Board of the Stock Exchange. Ms. Xie joined OCT Group in 1994 and she had been a deputy director and director of the strategic development department of OCT Group. Ms. Xie graduated from the Department of Electrical Engineering of Xi'an Jiaotong University and obtained a bachelor's degree in Engineering in 1989. She also obtained a master's degree in Economics from the Renmin University of China in 1999.

Directors and Senior Management

Mr. Lin Kaihua, aged 52, is the executive Director and vice president of the Company and also holds the chairman position in many subsidiaries of the Company, as well as in Beijing Guangying Real Estate Development Co., Ltd (北京廣盈房地產開發有限公司). He is also the deputy general manager of OCT (HK) and a non-executive director of Minsheng Education Group Company Limited, which is listed on the Main Board of the Stock Exchange. Since he joined OCT Group in 1992, Mr. Lin had held a number of positions including but not limited to the deputy general manager and the chief financial officer of OCT Shanghai Land (an indirect non wholly-owned subsidiary of the Company), the deputy general manager of Shenzhen Overseas Chinese Town Entertainment Investment Company Limited (深圳華僑城都市娛樂投資公司) (a wholly-owned subsidiary of OCT Ltd.), chief financial officer of OCT Ltd. and the chief financial officer of Shenzhen Bay Hotel (深圳灣大酒店) (currently known as "InterContinental Shenzhen (華僑城大酒店)" a subsidiary of OCT Ltd.). Mr. Lin holds a bachelor's degree and a master's degree in Accounting, and has obtained Certified Public Accountant and Senior Accountant title.

Non-executive Director

Mr. Zhang Jing, aged 36, joined the Group in 2017. Mr. Zhang currently serves as the general manager of the strategic development department and corporate management department of OCT Group, the supervisor of the investment management department and corporate management department of OCT Ltd., Mr. Zhang is also a director of Konka Group and OCT (Yunnan) Investment Co., Ltd. (華僑城（雲南）投資有限公司), and the chairman of OCT Wangfujing Business Management Co., Ltd. (華僑城王府井商業管理有限公司). Mr. Zhang joined OCT Group since 2004, and had worked in Shenzhen Overseas Chinese Town Real Estate Company Limited (深圳華僑城房地產有限公司) ("OCT Real Estate"), OCT Group and OCT Ltd. consecutively and acted as vice director of the strategic development of OCT Ltd., and the director of the administration department of OCT Real Estate. Mr. Zhang graduated from Xian Jiaotong University (西安交通大學) in 2004 with bachelor's degrees in engineering management and journalism. He also obtained a master's degree in business administration from Shanghai Jiaotong University (上海交通大學) in 2011 and possessed the economist qualification. Mr. Zhang is a member of the audit committee ("Audit Committee") and the remuneration committee ("Remuneration Committee") of the Company.

Independent Non-executive Directors

Mr. Lu Gong, aged 60, joined the Group in 2013. Mr. Lu is the managing director of Granton Asia Limited, whose principal businesses are investment and holding equities of overseas hotels and apartments. Mr. Lu is also the senior advisor of China Development Bank International Investment Limited (國開國際投資有限公司) (formerly known as New Capital International Investment Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 01062). Mr. Lu was appointed as but has already ceased to be an independent non-executive director of China Development Bank International Investment Limited (國開國際投資有限公司) and as the senior advisor of Galaxy Entertainment Management Services Limited (銀河娛樂企業管理有限公司) and the executive director and the vice-chairman of New City Development Group Limited (formerly known as New Rank City Development Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 00456). Mr. Lu had also worked for Unisys China Limited and Shell China Hong Kong Co., Limited and held senior management positions at Hong Kong Telecommunications Limited and Granton Asia Limited.

Directors and Senior Management

Ms. Wong Wai Ling, aged 57, joined the Group in 2007. Ms. Wong holds a bachelor's degree of arts from the University of Hong Kong and a post-graduate diploma in accounting and finance from the London School of Economics and Political Science. Ms. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and has more than 20 years of extensive experience in accounting, tax, auditing and business. Ms. Wong had worked in various international and local audit firms for more than seven years until she began to be in private practice as a Certified Public Accountant since 1993. In addition to the Company, Ms. Wong is also an independent non-executive director and chairman of the audit committee of AVIC International Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 00161). Ms. Wong is also an independent non-executive director and chairman of the audit committee and remuneration committee of Yongsheng Advanced Materials Company Limited (stock code: 03608). Meanwhile, Ms. Wong is also a non-executive director of Hin Sang Group (International) Holdings Co., Ltd (衍生集團（國際）控股有限公司) (a company listed on the Main Board of the Stock Exchange, stock code: 06893). Ms. Wong previously served as an independent non-executive director and chairman of the audit committee of China Ruifeng Renewable Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00527), an independent non-executive director of Glory Flame Holdings Limited (a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange, stock code: 08059) and an executive director of Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (a company listed on the GEM of the Stock Exchange, stock code: 08326). Ms. Wong is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

Professor Lam Sing Kwong Simon, aged 60, joined the Group in 2009. He is currently serving as a professor in management and business strategy at the faculty of Business and Economics of the University of Hong Kong, the Ian Davies Professorship in Ethics, as well as the director of the Research Centre of Asian Entrepreneurship and Business Values of the University of Hong Kong. Professor Lam is well known for his studies and research in corporate strategy, organization development and operations management. He has published a number of academic papers and case analysis on the said topics. Before joining the University of Hong Kong, Professor Lam had worked as a management consultant and as a regional manager for a bank. He has gained extensive experience in the area of corporate governance, strategy development and corporate finance. Professor Lam is also the independent non-executive director of Kwan On Holdings Limited (listed on the Main Board of the Stock Exchange, stock code: 01559), and Sinomax Group Limited (listed on the Main Board of the Stock Exchange, stock code: 01418). Professor Lam is also the non-executive director of Jacobson Pharma Corporation Limited (listed on the Main Board of the Stock Exchange, stock code: 02633). Professor Lam is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chen Hongjiang, aged 37, is the vice president of the Company and currently serves as the deputy general manager of OCT (HK). Mr. Chen joined OCT Group in 2004, he had acted as the deputy general manager of the strategic development department of OCT Group, the vice supervisor of the investment management department of OCT Ltd., and the deputy general manager of Xi'an OCT Land. Mr. Chen graduated from Harbin Institute of Technology in 2004 with a bachelor's degree in economics. He obtained a master's degree in business administration from Nankai University in 2011.

Mr. Zhang Xiaojun, aged 48, is the vice president of the Company and also a director of various subsidiaries of the Company. Mr. Zhang joined OCT Group in 1993. Mr. Zhang served as the general manager of Shenzhen Oversea Chinese Town Gang Ya Development Co., Ltd. (深圳華僑城港亞控股發展有限公司) (formerly known as "Shenzhen Huali Packing & Trading Co., Ltd. (深圳華力包裝貿易有限公司)") and the vice president of the Company since 2007. Mr. Zhang graduated from Zhuzhou Institute of Technology of Hunan (now known as Hunan University of Technology) and obtained his bachelor's degree in engineering.

Mr. Fong Fuk Wai, aged 55, is the chief financial officer, company secretary and qualified accountant of the Company. He also serves as a director of Huali Holdings Company Limited, a wholly-owned subsidiary of the Company. Mr. Fong joined the Group in 2005. Prior to joining the Group, Mr. Fong worked with an international CPA firm and members of companies listed in Hong Kong. He had held the positions of senior accountant, manager and financial controller. Mr. Fong graduated from the Hong Kong Polytechnic University and obtained a bachelor's degree in Accountancy in 1994, and subsequently obtained a master's degree in business administration at the Chinese University of Hong Kong in 1999. Mr. Fong is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Ms. Qi Jianrong, aged 47, is the vice president of the Company, an accountant and economist. Ms. Qi joined OCT Group in 1994, and had served in the finance department of OCT Shenzhen Bay Hotel, The Venice Hotel Shenzhen and Seaview O.City Hotel Shenzhen. She had been the supervisor of the finance department of OCT (HK) and the deputy general manager and the chief financial officer and the secretary for the board of Shenzhen City Rough Diamond Trading Centre Company Limited. Ms. Qi graduated from the Department of International Finance from Jinan University in 1994, where she obtained her bachelor's degree in economics.

Ms. Cheng Mei, aged 46, is the vice president of the Company. Ms. Cheng joined the Company in 2005, and had served as a vice supervisor and a supervisor of the Board of Director office of the Company. Prior to joining the Group, Ms. Cheng had successively worked for a tourism group and OCT (HK). Mr. Cheng graduated from Beijing International Studies University and obtained her bachelor's degree of Arts in 1995.

Corporate Governance Report

The Company believes that a high standard of corporate governance and a highly efficient management team are very important in enhancing the investors' confidence and the return to the shareholders of the Company, as well as increasing long-term share value. Therefore, the Company is committed to implementing and maintaining a high standard of corporate governance, emphasising good communication with shareholders of the Company and investors, and nurturing a corporate culture of strict code of conduct, with a view to continuously improving the Company's transparency in management. This includes timely, comprehensive and accurate disclosure of information about the Company to safeguard the shareholders' interest and to enhance long term share value.

During the year ended 31 December 2018, the Company has complied with all the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, save for code provision A.6.7 of the Code, details of which are set out in the paragraph headed "The Attendance of Directors and Committee Members" in this section. Details of the Company's corporate governance are summarized as below.

BOARD OF DIRECTORS

Board Responsibilities and Delegation

The Board manages the Company's affairs and is responsible for the leadership and governance of the Company. The Board is ultimately responsible for the Company's business, financial performance and preparation of financial statements. The Board formulates the strategy, policy and business plan of the Group, controls corporate risks and monitors the operation and financial performance of the Company. The Board endeavors to make decisions in line with the interest of the shareholders and the Company as a whole, and delegates powers and responsibilities to the management led by the Chief Executive Officer of the Company to carry out the daily management and operation of the Group. All Board members have separate and independent access to the senior management, and are provided with full and timely information about the operation and business development of the Company, including monthly reports. In order to assist the Directors to carry out their duties, the Board has established procedures to enable the Directors to seek independent professional advice upon reasonable request under appropriate circumstances at the Company's expense.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the Code. As of the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices in compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the disclosure requirements set out in the Code.

Composition of the Board

The Board currently comprises seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. The number of independent non-executive Directors is more than one-third of the number of the members of the Board. Independent non-executive Directors are experienced professionals with profound expertise and experience in accounting, financial or economic management aspects. The Board considers that all independent non-executive Directors are independent in their judgment. They ensure that the Board has attained the strict standards in financial and other statutory reporting areas and they provide sufficient check and balance to safeguard the interests of the shareholders and the Company as a whole.

Corporate Governance Report

As at the date of this report, the Directors are as follows:

Executive Directors

Mr. He Haibin *(Chairman of the Board)*
Ms. Xie Mei *(CEO)*
Mr. Lin Kaihua

Mr. He Haibin was appointed as an executive Director on 4 May 2017 and re-elected as an executive Director of the Company at the annual general meeting of the Company held on 2 June 2017. He entered into a service agreement with the Company for a term of three years commencing from 2 June 2017 until the conclusion of the 2019 annual general meeting to be held in 2020.

Ms. Xie Mei has been re-elected as an executive Director at the annual general meeting of the Company held on 2 June 2017, and has entered into a service contract with the Company for a term of three years commencing from 2 June 2017 until the conclusion of the 2019 annual general meeting of the Company to be held in 2020.

Mr. Lin Kaihua has been re-elected as an executive Director at the annual general meeting of the Company held on 5 June 2018, and has entered into a service contract with the Company for a term of three years commencing from 5 June 2018 until the conclusion of the 2020 annual general meeting of the Company to be held in 2021.

Non-executive Director

Mr. Zhang Jing

Mr. Zhang Jing was appointed as a non-executive Director on 30 March 2017 and re-elected as a non-executive Director at the annual general meeting of the Company held on 2 June 2017. He entered into a service agreement with the Company for a term of three years commencing from 2 June 2017 until the conclusion of the 2019 annual general meeting to be held in 2020.

Independent Non-executive Directors

Mr. Lu Gong
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

Mr. Lu Gong has been re-elected as an independent non-executive Director of the Company at the annual general meeting of the Company held on 11 May 2016, and has entered into a service contract with the Company for a term of three years commencing from 11 May 2016 until the conclusion of the 2018 annual general meeting of the Company to be held in 2019.

Corporate Governance Report

Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon have been re-elected as independent non-executive Directors at the annual general meeting of the Company held on 5 June 2018 and have entered into service contracts with the Company for a term of three years commencing from 5 June 2018 until the conclusion of the 2020 annual general meeting of the Company to be held in 2021. Under code provision A.4.3 of the CG Code, if an independent non-executive Director serves more than 9 years, his/her further appointment shall be subject to a separate resolution to be approved by the shareholders. Although each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon will have served as independent non-executive Directors for more than nine years by 2019, the Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon is a person of integrity and independent in judgement and character. They are independent of the management and free from any business or other relationships or circumstances which could materially interfere with the exercise of their independent judgement. The Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon meets the independent guidelines set out in Rule 3.13 of the Listing Rules, and is of the view that their independence is not affected by their extended term of office with the Company.

The biographies of each Director are set out on pages 26 to 29 of this report.

The Company has complied with Rules 3.10(1) and 3.10(A) of the Listing Rules. During the year ended 31 December 2018, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board. The Company has also complied with Rule 3.10(2) of the Listing Rules, which stipulates that one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has also complied with the relevant requirements of the Listing Rules.

The Company has established a Nomination Committee. The Nomination Committee will evaluate the independence of all independent non-executive Directors each year and make sure that they comply with the independence requirement under Rule 3.13 of the Listing Rules. All members of the Board are not related to one another in all aspects, including finance, family and business.

Chairman and Chief Executive Officer

The Company has a separate Chairman and Chief Executive Officer. The two positions are assumed by different persons in order to ensure that their independence, accountability and power are clear. Mr. He Haibin, the Chairman, is responsible for the operation of the Board and the formulation of the Company's strategies and policies. Ms. Xie Mei, the Chief Executive Officer, with the assistance of other members of the Board and the senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation.

Corporate Governance Report

Appointment and Re-Election of Directors

The Nomination Committee identifies appropriate individuals qualified to become Board members and provides advice to the Board in respect of nominating such persons to the Board. The Nomination Committee also makes recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. The Board is responsible for formulating the procedures for appointing Directors, and nominating suitable candidates for approval at the annual general meetings so as to fill vacancies due to resignation of Directors or to appoint additional Directors.

When selecting candidates for appointment as Directors, the Board will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors of the Company.

Pursuant to the articles of association of the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Number of Board Meetings Held and Procedures

The Board convened 21 meetings for the year ended 31 December 2018.

The Board has established meeting procedures and has complied with the code provisions of the Code. The procedures of Board meetings provide that the Board shall meet at least four times each year and can convene additional meetings when necessary. The agenda and other reference documents shall be distributed prior to the Board meeting to allow sufficient time for the Directors to review. Directors can express different opinions at Board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflicts of interest or material interests in the relevant transactions will not be counted in the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of Board meetings and other committee meetings will be drafted by the Company Secretary and will be sent to all members for their comment or record. Directors are entitled to inspect the minutes at any time.

Corporate Governance Report

THE ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The Directors' attendances of the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and general meetings of the Company for the year ended 31 December 2018 are as follows:

	Number of meetings attended/Number of meetings				
Name of Directors	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Shareholders' meeting**
He Haibin	21/21	N/A	N/A	1/1	1/1
Xie Mei	21/21	N/A	N/A	N/A	1/1
Lin Kaihua	21/21	N/A	N/A	N/A	1/1
Zhang Jing	21/21	2/2	2/2	N/A	0/1 *(Note 1)*
Lu Gong	21/21	N/A	N/A	N/A	0/1 *(Note 1)*
Wong Wai Ling	21/21	2/2	2/2	1/1	1/1
Lam Sing Kwong Simon	21/21	2/2	2/2	1/1	1/1

Note:

1. Code provision A.6.7 of the Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were not able to attend the general meetings held in 2018 due to their unavoidable business engagements. Other Board members who attended the general meetings were already of sufficient calibre and number for answering questions raised by the shareholders at the general meetings.

Corporate Governance Report

Directors' Continuous Professional Development Programme

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year ended 31 December 2018, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance with and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2018, the Company also organised briefing sessions conducted by the independent auditor for the Directors. The briefing sessions covered topics including but not limited to new financial reporting standards and others.

According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2018 are as follows:

Name of Directors	Reading the seminar materials regarding the latest development of the Listing Rules and other applicable regulatory requirements	Attending Briefing Sessions
Executive Directors		
He Haibin	✓	✓
Xie Mei	✓	✓
Lin Kaihua	✓	✓
Non-executive Director		
Zhang Jing	✓	✓
Independent Non-executive Directors		
Lu Gong	✓	✓
Wong Wai Ling	✓	✓
Lam Sing Kwong Simon	✓	✓

Corporate Governance Report

SPECIAL COMMITTEES UNDER THE BOARD

The Board comprises the following committees:

Audit Committee

As of 31 December 2018, the Audit Committee consists of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Zhang Jing, with Ms. Wong Wai Ling being the chairman of the Audit Committee.

The principal terms of reference of the Audit Committee are as follows:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment or removal of the external auditors, and the approval of remuneration and terms of engagement of the external auditors;

(b) reviewing risk management and internal control systems and monitoring the work of the internal audit department;

(c) reviewing the financial statements of the Company, the Company's annual reports and accounts, interim reports and quarterly reports (if any);

(d) examining financial statements and reporting to the Board for any significant opinions in relation to financial reporting;

(e) conferring with auditors on any problems and matters of doubt arising from the audit process, as well as other issues the auditors may like to discuss (if necessary, such discussions may be undertaken in the absence of the management); and

(f) reviewing correspondences addressed to the management by the external auditors and responses from the management.

The Audit Committee held two meetings during the year ended 31 December 2018, and performed the major works as below:

1. reviewed the annual financial results and report for the year ended 31 December 2017 and the interim financial results and report for the six months ended 30 June 2018;

2. reviewed the internal audit department's report regarding the review and procedures of the internal control and risk management of the Company; and

3. provided opinions to the Board in respect of the appointment of auditors.

The Audit Committee has reviewed this annual report, and confirmed that it is complete and accurate and complies with the Listing Rules.

Corporate Governance Report

Remuneration Committee

As of 31 December 2018, the Remuneration Committee consists of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Zhang Jing, with Ms. Wong Wai Ling being the chairman of the Remuneration Committee.

The main role and function of the Remuneration Committee are as follows:

(a) consulting the chairman of the Board on remuneration recommendations concerning other executive Directors;

(b) making recommendations to the Board on matters relating to the overall remuneration policy and structure for the Directors and senior management of the Company, as well as establishing a formal and transparent remuneration policy of the Company;

(c) with authority delegated by the Board, establishing compensation packages for all executive Directors and senior management and making recommendations to the Board on remuneration for non-executive Directors; and

(d) reviewing and approving compensations paid to executive Directors and senior management, for loss or termination of their office or appointment, in order to ensure that the compensations are paid in accordance with relevant contractual terms.

The Remuneration Committee held two meetings during the year ended 31 December 2018, and performed the major works as below:

1. reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the executive Directors, senior management and other staff of the Company; and

2. reviewed and discussed the remuneration of the newly appointed Directors and make recommendations to the Board.

Nomination Committee

As of 31 December 2018, the Nomination Committee consists of three members, including one executive Director, namely Mr. He Haibin, and two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, with Mr. He Haibin being the chairman of the Nomination Committee.

The Board has adopted its board diversity policy (the "Board Diversity Policy"). All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Corporate Governance Report

The Board has also adopted a Directors nomination policy ("Nomination Policy") in compliance with the Code, which establishes criteria and procedures for the nomination committee to identify and consider individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant skills, experience and diversity of perspectives critical to the Group's business to enable the Board to make sound and well considered decisions.

Nomination Process

When receiving the proposal to appoint a new Director, the nomination committee shall (i) assess the candidate with reference to the selection criteria as set out in the Nomination Policy to determine the eligibility of the candidate to serve as a Director; (ii) if there are more than one desirable candidates, rank them in accordance with the needs of the Company and the merits of each candidate; and (iii) make recommendations to the Board on the appointment of a suitable candidate to serve as a Director (if applicable).

When a retiring Director, being eligible, offers himself for re-election, the nomination committee shall (i) review the overall contribution and services of the retiring Director and the performance and level of participation of the retiring Director; (ii) assess whether the retiring Director satisfy the selection criteria as set out in the Nomination Policy; and (iii) if considered appropriate, make recommendations to the Board, which may make a recommendation to the Shareholders to re-elect the retiring Director at a general meeting.

Selection Criteria

The Nomination Committee will take into account the Board Diversity Policy, a candidate's (i) character (in terms of his/her honesty, integrity, motivation or reputation), (ii) merits (in terms of his/her qualifications (including professional qualifications), skills, knowledge, accomplishment and experience related to the business and strategy of the Company and the diversity in skill set of the Board in accordance with Board Diversity Policy of the Company), (iii) business expertise, (iv) whether sufficient time can be devoted to properly discharge its duties as a member of the Board and a member of the board committees; and (v) his/her independence (if an independent non-executive director is being considered).

The Board shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Corporate Governance Report

The main role and function of the Nomination Committee are as follows:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) reviewed the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

(c) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(d) assessing the independence of independent non-executive Directors; and

(e) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee held one meeting during the year ended 31 December 2018 and performed the major works as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business;

2. reviewed the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

3. assessed the independence of all independent non-executive Directors of the Company; and

4. reviewed and discussed the re-election of Mr. Lin Kaihua as an executive Director and Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon as Independent Non-executive Directors, and make recommendations to the Board with regards to the nominations.

Risk Management and Internal Control

The Group's management pay high attention to comprehensive risk management. We believe that comprehensive and effective risk management and internal control systems play an important role in achieving the Group's strategic goals. The challenge faced by the Group is in identifying and managing risks so that they are managed, mitigated, transferred, prevented or understood and accepted. The Board acknowledges its ultimate responsibility to establish and maintain appropriate risk management and internal control systems for the business of the Group. For this purpose, the Board ensures that the Group has established a robust framework of ongoing risk management process in identifying, evaluating and managing significant risks faced by the Group to promote the long-term success of the Group.

Corporate Governance Report

The Board acknowledges its ultimate responsibility to establish and maintain appropriate risk management and internal control systems for the business of the Group. Also, the Board is responsible for reviewing the effectiveness of the Group's risk management and internal control systems. The Board fully recognises that good risk management and internal control systems are designed to manage rather than eliminate the risks, and the systems and processes that have been put in place do not provide an absolute shield against factors including unpredictable risks or uncontrollable events such as natural catastrophes or errors of judgment. Accordingly, they can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Group has not encountered any risk incident in the capital market since its listing. There has been no significant error or weakness in respect of internal control, nor such condition or consequence which may have a material impact on the truthfulness, accuracy and fairness on the financial matters of the Group.

The Group has a risk control and compliance management department which is independent of other operating departments. The internal audit department has the authority to conduct comprehensive inspection on the information of the Group's risk management network and the control and governance processes in order to monitor the effectiveness of the risk management and internal control of the Group. The risk control and compliance management department conducts an overall review on every subsidiary once a year, and reports and makes recommendations to the management of the Company in respect of the review. In addition, the risk control and compliance management department also regularly reviews all the businesses and matters relating to work approach, procedures, expenses and internal control measures of the Company's subsidiaries. The department will also conduct ad hoc reviews and investigations when necessary. The internal audit department reports directly to the Audit Committee.

The risk control and compliance management department of the Company submits the comprehensive risk management report and internal audit report to the Audit Committee under the Board on an annual basis. The comprehensive risk management report is made once a year, which comprehensively describes the integrity and effectiveness of the internal control system of the Group, the results of internal and external risk assessment on the Group's strategy, finance, regulation and compliance, marketing and operation, and activates the supervision and improvement mechanisms for principal risk management strategies and solutions based on and with respect to the significant risks which are determined to have a material impact on the Group. The existing control measures may not only identify and address such principal risks, but also contribute to improving the skills, interests and costs required, thus helping the Board to assess the actual control status and effectiveness of risk management of the Group.

Three Lines of Defence

The Group strives to establish and improve the three lines of defence for the Company's risk management organisational system which covers decision making and monitoring of comprehensive risk management, implementation of comprehensive risk management measures and assessment of comprehensive risk management, with respect to its existing businesses, under the Stock Exchange's relevant regulatory requirements for listed companies in Hong Kong and the situation of the Group's risk control and compliance management.

The framework of the Group's risk management and internal control systems is guided by the "Three Lines of Defence" model:

Corporate Governance Report

First Line of Defence: Defence line for decision-making and monitoring of comprehensive risk management

As the first line of defence for the Group's comprehensive risk management organisational system, the line of defence for decision-making and monitoring of comprehensive risk management comprises of the Board, the management and department heads. As the decision-making and monitoring authorities of comprehensive risk management, the Board, the management and department heads of the Group are mainly responsible for (among others) approving the organisational structure and functions of risk management of the Group; approving the risk management policies, risk management measures and significant risk solutions of the Group; and monitoring and supervising the comprehensive risk management system as well as the establishment and implementation of internal control assessment mechanisms.

Second Line of Defence: Defence line for implementation of comprehensive risk management measures

All functional departments and special teamwork groups of the Group constitute the second line of defence for implementation of comprehensive risk management measures, mainly responsible for performing and implementing comprehensive risk management and internal control systems and relevant affairs, and strictly implementing day-to-day risk management measures; organising all departments to identify and evaluate the actual risk management of their respective businesses; and promptly reporting risks in relation to the implementation of management strategies and solutions for significant risks.

Third Line of Defence: Defence line for assessment of comprehensive risk management

As the third line of defence for comprehensive risk management, the Group's risk control and compliance management department is mainly responsible for supervising and assessing the implementation and quality of comprehensive risk management measures, and on-going effectiveness of risk countermeasures in combination with audit projects, and issuing the audit report on supervision and assessment.

Management Procedures for Significant Risks

In order to improve the monitoring and management of significant risks and fully leverage the effect of the three lines for the Group's risk management organisational system, the Group will organize all departments and subsidiaries to conduct risk assessment under the lead of the risk control and compliance management department.

Based on risk management provisions and actual corporate status, the Group conducts risk assessment mainly focusing on five aspects: strategic risk, financial risk, market risk, operational risk, legal and compliance risk. To identify the risks abovementioned, potential significant risks are ultimately determined with qualitative and quantitative standards, while risk factors are identified and assessed based on each core business. The Group prevents the reoccurrence of the same or similar risk events by tracking and managing the whole process of risk assessment and relevant significant risks during the year, implementing the supervision and improvement mechanisms for significant risk management strategies and solutions, and establishing and implementing relevant solutions.

Corporate Governance Report

Measures and Means of Defence Lines:

With an aim to improve the Group's risk management and internal control systems while enhancing its management standards and ability to mitigate risks, the risk control and compliance management department organises all functional departments of the Group for promoting and training on self-assessment of internal control and comprehensive risk management, requiring all departments and personnel to carry out risk assessment as required and penetrate risk management in their daily operations in combination with their actual conditions, so as to create an unified cultural atmosphere for risk management within the Group. In addition, the Group is equipped with a certain cultural base for risk management due to the development of complete risk assessment and response mechanisms.

In order to enhance the effect of risk awareness, the Group strives for innovative model for establishment of internal control system, trains the internal control personnel on an on-going basis through a "sharing of experience" approach, and provides support for employees in respect of their training courses and relevant budgets involved. In addition, a joint teamwork group consisting of all office personnel from the business department, risk control and compliance management department and financial department is formed to comprehensively enhance the effectiveness of the internal control system and comprehensive risk management construction. Furthermore, the organisational structure and post duties are redefined, and the audit team is expanded with experienced full-time talents to increase the number of special audit projects, strengthen risk control capacities and develop an echelon of talents, thus enhancing the risk management and internal control of the Group.

Inside Information Confidential Policy

An inside information confidential policy is in place to ensure that potential inside information which may be obtained and the confidentiality of such information may be maintained until timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

– designated reporting channels for different operations to inform of any potential inside information to designated departments;

– designated persons and departments to determine the manner of reporting and disclosure as required; and

– designated persons authorised to act as spokespersons and respond to external enquiries.

During the Period under Review, the Board examined the effectiveness of the risk management and internal control systems of the Group through the Audit Committee, and considered that the risk management and internal control systems are adequate and effective and the Group has complied with the Code's code provisions on risk management and internal control.

Corporate Governance Report

Principal Risks

A number of factors may affect the results and business operations of the Group. The Group focuses on addressing the following principal risks.

Type of Risk	Description	Principal Risks and Control Measures in 2018 Key Control Measures	Caused by
Strategic Risk	The Company is faced with difficulties in meeting the long-term development of investment project reserves.	1. Leveraging the influence of the OCT brand, the Company will continue its expansion by carrying out the industrial park project in Meili Town, Changshu City; 2. Strengthen its connection with governmental departments in key cities, enhance project development efforts and accelerate the implementation of new projects; 3. Carry out enterprise transformation, adopt the new development model of "comprehensive development + investment in the urbanisation industrial ecosphere", make use of direct investment, indirect investment and other investment measures, use financial instruments such as fund investment and financial leasing and explore business collaboration and cooperation with invested enterprises so as to broaden the channels to acquire new projects for the Group.	The Company concerns more about short-term assessment indicators, but its insufficient reserve for investment projects and inadequate prospective studies on the Company's long-term investment projects constrain the Company's further development.

Corporate Governance Report

Type of Risk	Description	Principal Risks and Control Measures in 2018 Key Control Measures	Caused by
Strategic Risk	The Company spends too much time from investment planning to investment decision-making, resulting in late investment approval that lead the Company to miss investment opportunities.	The Group's internal level and the proposed cooperative enterprise level will both strengthen their communication and effectiveness, realize the simultaneous advancement of two lines, streamline procedures and enhance efficiency so as to proceed the Company's business with higher efficiency.	The Company spends too much time from investment planning to investment decision-making, resulting in late investment approval that leads the Company to miss investment opportunities.
Financial Risk	The Company misses high quality projects due to its insufficient funds.	The Company's finance department strengthens its connection with the Company's management and business department, constantly tracks the business trends, make good financial analysis and funding plans based on the actual investment plan, and maximize the rational use of funds, which helps avoid the loss of quality projects due to tight cash flow. In 2018, there were no failures in the investment of the proposed investment project due to insufficient funds preparation.	Due to the lack of communication between the Company's financial department and business department, the Company's proposed investment projects are unable to obtain sufficient funds support.

Corporate Governance Report

Type of Risk	Description	Principal Risks and Control Measures in 2018 Key Control Measures	Caused by
Legal and Compliance Risk	At present, the Company is faced with the lack of supervision and management on legal affairs in respect of the legal and compliance risk.	1. In 2018, the Company has made improvement in talents construction of the risk control and compliance management, and conducts legal-related knowledge trainings for relevant employees. The Company used to be entirely dependent on external legal institutions to deal with relevant legal issues of the company, which has been initially resolved; 2. In response to the Company's new business development, the Company has hired a professional legal team with more expertise in Hong Kong laws in order to solve the legal compliance issues related to new business areas (such as financial leasing or investment funds) more professionally, which is more in line with the needs of the Company's future business development and prevent the legal compliance risks more effectively.	The legal professional talents of the Group are inadequately equipped, and part of the subsidiaries fail to set up legal affairs positions, which is adverse for the Company's supervision of legal affairs of subsidiaries and makes the legal affairs positions unable to fully leverage their function of supervision and management by law.

Corporate Governance Report

In 2019, the Audit Committee of the Group will continue to refine and improve the Group's risk management process in line with the Corporate Governance Code and the best industry practices. In addition, we will focus on communication for internal risk as well as awareness and ownership of risks across the Group.

Financial Reporting

The Directors are responsible for overseeing the preparation of the financial statements, to ensure the annual report gives a true and fair view of the financial position, results and cash flow of the Group for the year. In preparing the financial statements for the year ended 31 December 2018, the Directors have:

- selected appropriate accounting policies and applied them consistently; and

- made judgments and estimates that are reasonable.

The Company recognises that high quality corporate reporting is very important in reinforcing mutual trust between the Company and its stakeholders and aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all corporate communications. In order to achieve timely and effective communications with its shareholders, the Company publishes its annual results in a timely manner within the limit of four months after the end of a financial year.

The auditors' responsibilities are set out in the Auditor's Report on page 97.

Through the Audit Committee, the Board has reviewed the internal control system in respect of finance, operations and compliance of the Company and its subsidiaries. The Audit Committee considers that the Company and its subsidiaries have established all necessary mechanisms. The above control mechanism has ensured compliance in respect of the Company's operations. The Board considers that the Company has complied with the code provisions of the Code on internal control.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group paid total Directors' remuneration amounts of approximately RMB2,659,000, RMB2,090,000, RMB152,000, RMB142,000 and RMB142,000 to Ms. Xie Mei, Mr. Lin Kaihua, Mr. Lu Gong, Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon respectively for the year ended 31 December 2018. Mr. He Haibin and Mr. Zhang Jing did not receive any Director's remuneration from the Group as of 31 December 2018. Details in relation to the Director's remuneration payment of the Group for the year ended 31 December 2018 are set out on page 169 of this annual report.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director.

Corporate Governance Report

Senior management's remuneration payment of the Group for the year ended 31 December 2018 falls within the following bands:

	Number of People
RMB1,000,000 or below	2
RMB1,000,001 to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	0
RMB3,000,001 to RMB4,000,000	1

Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year ended 31 December 2018.

SECURITIES TRANSACTIONS BY SENIOR MANAGEMENT AND STAFF

The senior management and staff have been individually notified and advised about the Model Code by the Company.

Financial Officer

The Financial Officer is responsible for preparing interim and annual financial statements based on accounting principles generally accepted in Hong Kong and ensuring that the financial statements fairly reflect the Group's results and financial position as well as are in compliance with the disclosure requirements under the applicable provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and other relevant laws and regulations. The Financial Officer reports directly to the chairman of the Audit Committee and coordinates with external auditors on a regular basis. In addition, the Financial Officer will review the control of financial risks of the Group and provide advice thereon to the Board.

Corporate Governance Report

Company Secretary

The Company Secretary of the Company reports directly to the Board. All Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure that the Board meeting procedures are properly followed and are in compliance with relevant laws and regulations. The Company Secretary is also responsible for giving advice to the Board with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of notifiable transactions, connected transactions and inside information. The Company Secretary shall provide advice to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long term value to the shareholders of the Company. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investors' relations of the Group.

The Company Secretary has complied with Rule 3.29 of the Listing Rules in respect of professional training requirements for the year ended 31 December 2018.

External Auditor

The Company re-appointed KPMG as the auditor of the Company on 5 June 2018 to hold office until the conclusion of the 2018 annual general meeting of the Company to be held in 2019.

For the year ended 31 December 2018, the auditing and non-auditing (provided reporting accounts' services for the notifiable transactions, tax advice and due diligence services during the year) fees paid to our external auditor KPMG were approximately RMB2,410,000 and approximately RMB1,850,000 respectively.

The auditor's responsibilities to the shareholders of the Company are set out on page 97 of this annual report.

Investor Relations

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels, such as press conferences and seminars, to communicate with the media, analysts and fund managers. Designated senior management staff holds dialogue with analysts, fund managers and investors, who are also arranged to visit the Company and investment projects from time to time, so as to keep them abreast of the Group's business and latest developments. In addition, investors can also visit the Company's website at www.oct-asia.com for the most-updated information and the status of the business development of the Group.

According to the special resolution passed at the annual general meeting held on 5 June 2018, the Board has adopted the revised and restated memorandum and articles of association. Investors can obtain the Company's latest memorandum and articles of association at the Company's website.

Corporate Governance Report

COMMUNICATION WITH THE SHAREHOLDERS OF THE COMPANY

The Board and senior management recognise the responsibility of safeguarding the interest of the shareholders of the Company and provide highly transparent and real-time information on the Company so as to keep the shareholders of the Company and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders of the Company can facilitate their understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of the shareholders of the Company. In order to safeguard the interest of the shareholders of the Company, the Company reports its financial and operating performance to the shareholders of the Company through annual reports and interim reports. Shareholders of the Company can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Company's website at www.oct-asia.com.

The annual general meetings of the Company provide an appropriate platform for direct communications between the Board and the shareholders of the Company. Shareholders of the Company can raise questions directly to the Board in respect of the performance and future development of the Group at the annual general meetings.

SHAREHOLDER'S RIGHTS

Procedures for convening an extraordinary general meeting by shareholders

In accordance with the requirements under Article 64 of the articles of association of the Company, extraordinary general meetings shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within twenty-one days after such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 113 of the articles of association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office of the Company. The minimum length of the period, during which the notices required under the articles of association of the Company will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Corporate Governance Report

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board of the Company in writing through the Company Secretary whose contact details are as follows:

Attention: The Company Secretary
Overseas Chinese Town (Asia) Holdings Limited
59/F., Bank of China Tower, 1 Garden Road, Hong Kong
Email: ir-asia@chinaoct.com

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the questions of the shareholders of the Company.

Environmental, Social and Governance Report

1 ABOUT THIS REPORT

Overview

This report is the third environmental, social and governance ("ESG") report ("ESG Report") issued by Overseas Chinese Town (Asia) Co., Ltd, disclosing information of sustainable environmental, social and governance development of the Group with the reporting period spanning from 1 January 2018 to 31 December 2018.

Reporting Framework

The Group compiled the ESG Report in accordance with the "Environmental, Social and Governance Reporting Guide (ESG Guide)" under Appendix 27 of the Listing Rules issued by The Stock Exchange of Hong Kong Limited ("HKEx") with strict compliance to its requirements on "general disclosure", "materiality", "quantization", "balance", "consistency", and "director responsibilities".

Reporting Scope

The scope of this report covers Overseas Chinese Town (Asia) Co., Ltd and its subsidiaries.

Reference Statement

For easy understanding, in this report, Overseas Chinese Town (Asia) Holdings Co., Ltd, is referred to as "OCT (Asia)" or "the Company". Overseas Chinese Town (Asia) Co., Ltd and its subsidiaries is referred as "the Group".

Data Source and Reliability Assurance

The data in this report comes from OCT (Asia) and its subsidiaries, approved by OCT (Asia).

Confirmation and Approval

This report was confirmed by the ESG steering team of the Group and approved by the Board of Directors on 29 March 2019.

Access and Feedback on This Report

The Group attaches great importance to your views and suggestions on the ESG Report. If you have any comment or suggestions, please email to ir-asia@chinaoct.com, or call (86) 755 2693 5118.

2 ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

To systematically standardize the Group's sustainability performance and following the ESG Guide, in 2018, OCT (Asia) assembled the highest ESG decision-making body consisted of senior executives to provide strategic guidance for ESG management and report to the Board of Directors on related risk management, and established an ESG working team supporting the decision, deployment and promotion of the Group's social responsibility strategies through steering ESG training, stakeholder engagement, and materiality analysis.

Environmental, Social and Governance Report

2.1 Materiality analysis

OCT (Asia) engages stakeholders as key influencers in its report disclosure procedure and sustainability strategies. Through questionnaire, face-to-face communication, telephone interview, and on-site survey, the Group approached the company management and other stakeholders for their demands and expectations, complied the materiality matrix based on the analysis, and selected 23 material topics to disclose in this report.

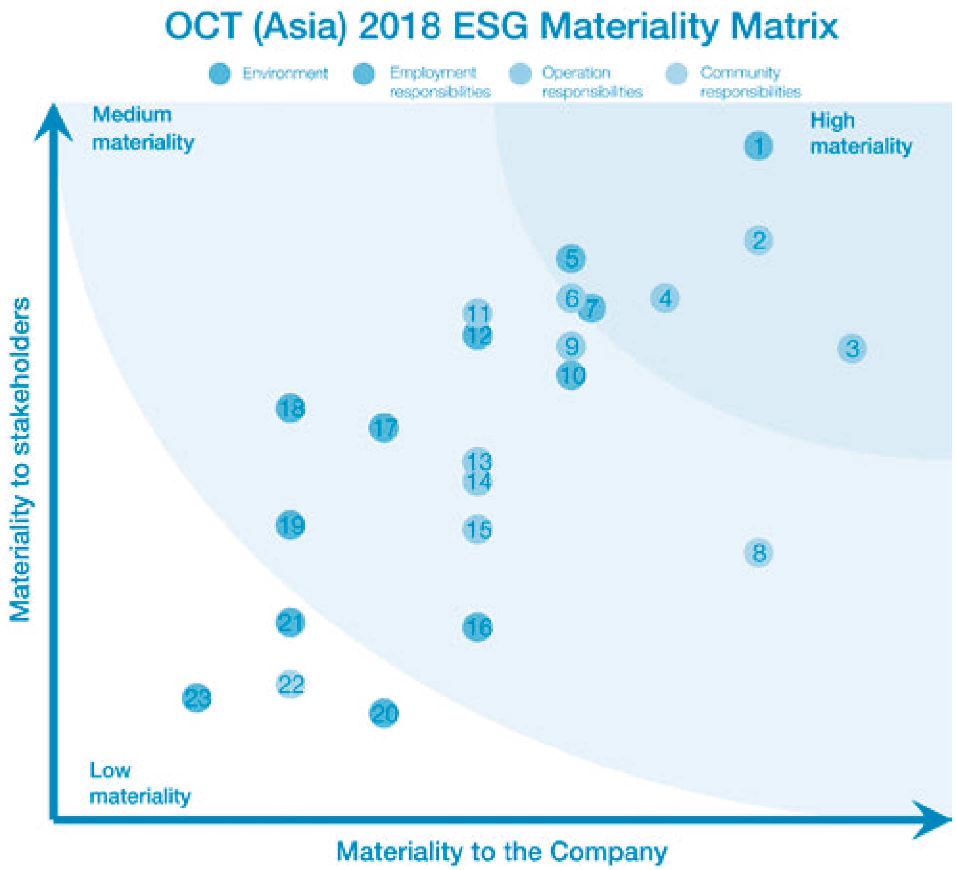
Stakeholders	Engagement Channel
Government and regulators	Governmental conference Report to authorities Regulation compliance
Shareholders	Shareholders' meeting Listed company information disclosure Annual and interim performance release, other roadshows
Clients	Client complaint mechanism Client satisfaction survey
Employees	Regular and irregular employee interviews Employee training Employee activities
Suppliers	Email communication Telephone interviews On-site inspection
Media	News release Email communication Telephone interviews Community events Charity donation

The materiality assessment procedure of OCT (Asia) consists of the following steps:

Step 1	Stakeholder identification	Identify key stakeholders and create specific engagement plans.
Step 2	Topic identification	Identify topic materiality to the Group and stakeholders via questionnaires.
Step 3	Stakeholder engagement	Understand stakeholders' ESG concerns and expectations via questionnaires and interviews.
Step 4	Materiality report	Rank ESG material topics based on quantified analysis of survey results.
Step 5	Management confirmation	Submit the results to the management for final approval.

Environmental, Social and Governance Report

– OCT (Asia) sustainability materiality matrix:



– Materiality ranking: (high to low)

– 7 out of the 23 material ESG topics, including "Safeguard employee health and safety, prevent work injury and fatality", "Compliant operation and anti-corruption", "Protect investor rights and interest and share the results of appreciation", and "Proper complaint handling and regular satisfaction survey", are of the highest materiality to stakeholders. The Group's response to these concerns are disclosed in details in the "Company Governance", "Product and Service", and "Employee Care" chapters.

Environmental, Social and Governance Report

High materiality	1	Safeguard employee health and safety, prevent work injury and fatality
	2	Compliant operation and anti-corruption
	3	Protect investor rights and interest and share the results of appreciation
	4	Proper complaint handling and regular satisfaction survey
	5	Compliant recruitment, diversity and equality, good employment relationship, and employee turnover control
	6	Product and service quality, especially product safety
	7	Compliance to laws and regulations and prevention measures on child labor or forced labor
Medium materiality	8	Serve community interest and support community development in business operation, such as operation localization and supporting New Rural Construction
	9	Adopt measures to protect client information and privacy
	10	Organize employee training and encourage employee development
	11	Adopt measures to protect intellectual property rights
	12	Adopt measures to reduce emission and environmental pollution
	13	Respond to national policies, such as Rural Revitalization
	14	Control supply chain environmental and social risks and support industrial development and upgrading via green and local procurements
	15	Establish and improve quality testing and product recall procedures
	16	Conserve land and other natural resources and reduce environmental impact of business operation via green building and green community
	17	Disclose and manage hazardous and hazardless wastes, such as waste light tubes, used batteries, and construction wastes
	18	Disclose and manage emissions, such as sewage and waste gas
	19	Disclose and manage material consumption, such as fit-out materials
Low materiality	20	Disclose and manage water consumption, and water conserving measures
	21	Disclose and manage energy consumption, and energy conserving measures
	22	Engage in charity and volunteering activities
	23	Disclose and manage greenhouse gas emission, including carbon dioxide, nitrogen oxide, and sulfur oxide

Environmental, Social and Governance Report

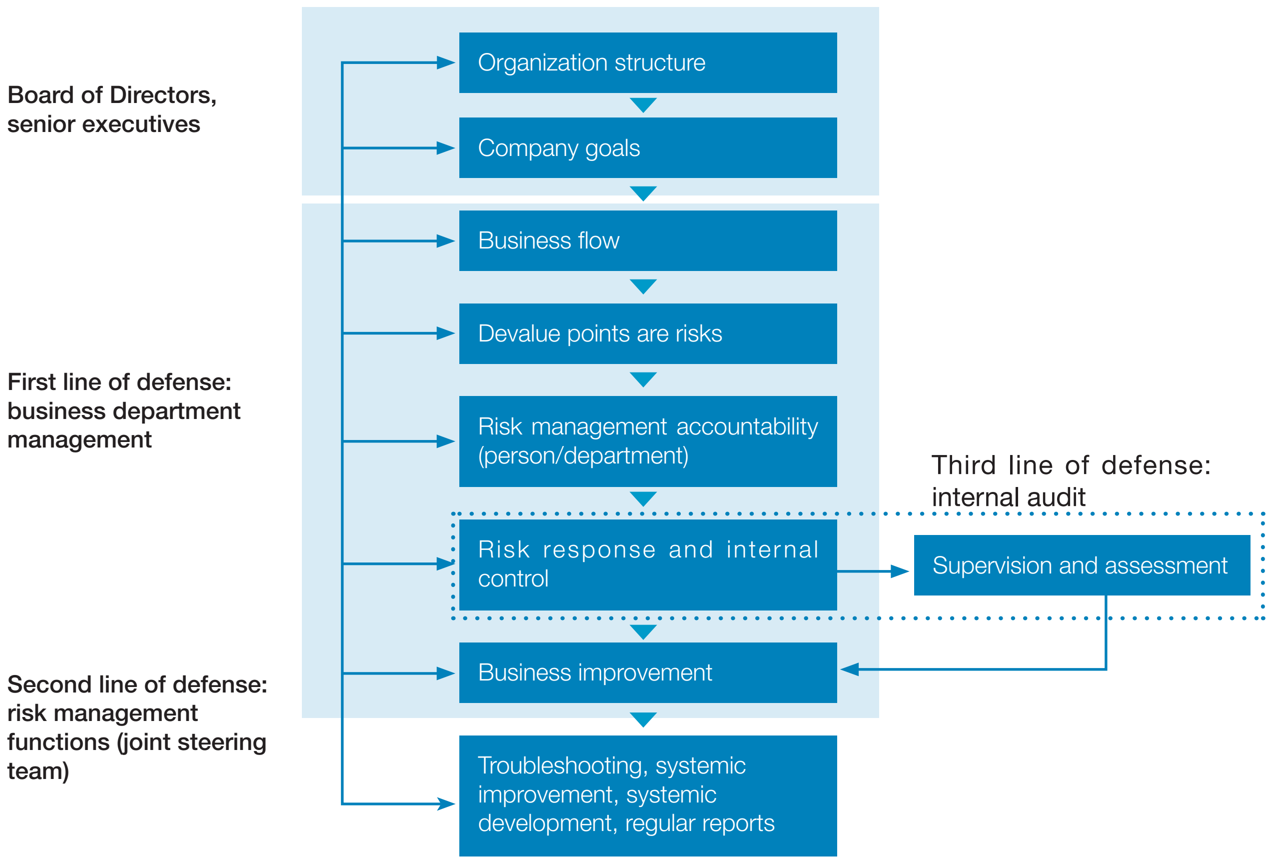
3 COMPANY GOVERNANCE

The Group attaches great importance to enterprise risk management. A comprehensive and efficient risk management system is vital to achieve the Group's strategic development. The Board of Directors has developed and maintained a solid risk management framework governing material risk identification, assessment, and management procedures to promote the Group's sustainable development.

3.1 Risk management system

Building on the risk management system of the OCT Group, OCT (Asia) strives to establish a comprehensive "three lines of defense" risk management structure governing decision-making and supervision, measure implementation, and performance assessment as demonstrated below:

"Three lines of defense" enterprise risk management structure



To further improve the risk management awareness of employees, the Group adopts innovative measures in building internal control system via training internal control staff by passing on experience and providing work assistance and guidance, and funding their training and related expenditure. In addition, the Group sets up a joint-steering team consisted of Business Departments, Risk Control and Compliance Management Department, and Finance Department to systematically improve the effectiveness of the internal control and risk management system, achieving smooth and standardized business flow between headquarter and the subsidiaries.

Environmental, Social and Governance Report

3.2 Investment risk management

To regulate and guide the investment activities of OCT (Asia) and its subsidiaries, the Group applies specific risk management measures before, during, and after investment activities to substantiate and standardize the investment decision-making process with policies and procedures, improving efficiency, optimizing procedures, and strengthening risk control.

To provide basic standards and management guidelines for investment procedures before contract conclusion, payment, and delivery, the Group has issued the OCT (Asia) Holdings Interim Measures on Investment Management, which requires the Investment and Development Department to collect project information for feasibility assessment, compile *Project Feasibility Report* with comments from the Risk Control and Compliance Management Department, and submit to the Executive Office for approval. Upon approval, a project team will be gathered to conduct due diligence investigation, after which the project information will be submitted to the Executive Office and the Board of Directors for review and approval.

Following the post-investment principles of "staying objective and prudent, and maintaining timeliness and efficiency", OCT (Asia) has issued the Interim Measures for Post-investment Management to regulate post-investment conducts, manage risks, protect company legitimate rights and interest, and improve investment return through monitoring contract execution, tracking investee business performance, and assisting appointed representative in rights execution, property rights management, and investment exit.

OCT (Asia) has issued and strictly implements the *Inside Information Confidentiality Policy*, which specifies the definition, insider scope, handling and disclosure procedures of inside information, and requires absolute confidentiality of inside information until revealed according to the Listing Rules.

With such comprehensive investment management measures, OCT (Asia) has improved project efficiency, achieved more detailed and systematic risk disclosure, and formed an effective internal supervision mechanism, ensuring the reliability of OCT (Asia) investments.

3.3 Supplier management

Probity in procurement is of great importance to the Group. In 2018, to regulate tender activities, the Group issued the *Bidding and Procurement Management Measures* based on the *Law of the People's Republic of China on Bids* and the Group's situation, which classifies procurement methods into bidding and non-bidding. The Group requires staff responsible for bidding and procurement and tender reviewers to strictly conform to professional ethics, relevant national laws and regulations, and review requirements in the bid documents, execute their review power in an objective and rightful way, dutifully fulfill their responsibilities, and sign *Honest Review Practice Statement* and *Clean Governance Agreement*, effectively preventing bribe extortion, bribe offer, and bribe acceptance.

"Where there is the market, there is dispute". The Group continuously raises the awareness of intellectual property right protection. The Group adopts life-cycle measures to protect the intellectual property rights of software. The Group ensures the products are authorized during procurement, and manages the software assets according to authorization letters and the *Software Assets Ledger*. The Group has issued the *Software Rights Infringement Handling Procedure* to proactively protect intellectual property rights.

The Group endeavors to safeguard the human rights and safety of construction workers that contribute to the Group's integrated development business. The Group requires construction contractors to abide by local laws, regulations and guidelines, and respect their workers legal rights. The construction contractors should not employ forced labor or child labor, and provide safety training and personal protective equipment to all workers.

4 PRODUCT AND SERVICE

While exploring the investment in the urbanization industrial ecosphere, the Group continues to develop the comprehensive development business. As a comprehensive developer, the Group attaches great importance to the input and continuous improvement in product quality and service quality, adopts life-cycle management in project quality and safety, safeguards client privacies, and responds to client demands via various communication channels, striving to become a qualified "city operator".

4.1 Safeguard client safety

A well-established quality assessment mechanism ensures the effectiveness of the corporate quality control system. To guarantee product safety, win customer satisfaction, and safeguard corporate reputation, the Group strictly abides by *Construction Law of the People's Republic of China*, *Fire Protection Law of the People's Republic of China*, and other laws and regulations, and fully executes all safety procedures during design, construction, delivery, and maintenance, ensuring a safe and satisfactory space to the clients.

To strengthen the quality and safety management system and ensure the implementation of management accountability, the Group requires design institutes should obtain relevant service qualifications, and should not exceed the qualified scope. The senior executives of each subsidiary hold ultimate accountability for the quality and safety of its construction projects and should not sub-contract. Professional technicians such as survey engineers should obtain relevant practice qualifications, practice within the qualified scope, and assume quality and safety liabilities to their projects.

The Group requires each subsidiary conduct monthly safety inspection during construction. The Group keeps detailed records of safety risks, rectification measures and progress of all safety factors such as safety policies, fire safety, electricity safety, special safety, and environmental sanitation. In the meantime, the Group also requires subsidiaries to submit weekly safety inspection reports. The Safety Committee sends Safety Risk Notice to construction companies that violates safety regulations and demands response and correction in a specified period.

Environmental, Social and Governance Report

The Group continuously optimizes delivery process, reduces delivery risks, and improves delivery quality. Before residential project delivery, the project team should ensure the completion of unit specific inspection by the local administrative authorities, and set up cross-department risk inspection team to conduct internal check, record risks and take countering measures. Projects without completion acceptance/completion record (according to purchase contract and local administrative regulations) or fire inspection/record cannot be delivered.

The Group pays equal attention to after-acceptance processes such as interior maintenance, supporting facility improvement and renovation to ensure efficiency and quality aligned with client expectations. The OCT Shanghai Engineering Maintenance Operation Guidelines specifies that the constructor conduct maintenance right upon identification of problems, and work with the property management company, the Engineering Department and the Customer Service Department to collect evidence of liability and determine accountable party.

The Group respects and protects client personal privacy. In order to regulate measures on the handling and protection of client personal information, the Group has issued Policy on Property Owner Privacy Protection and Client Privacy Protection Measures, delivers regular theme training to relevant staff, and requires employees to sign and strictly execute the Confidentiality Statement by withholding clients' personal information.

4.2 Maintain client relations

In order to protect client rights and interest and enhance service quality, the subsidiaries of OCT (Asia) have established internal policies on client relation management, and set up specific customer service system and support team. For example, Chengdu OCT has launched a customer service center and official WeChat account to send notices and greetings to clients, and organizes regular OCT Club activities such as calligraphy and tea party, and offers seasonal gifts such as free movie tickets and point redeem, etc.

Environmental, Social and Governance Report

OCT Chengdu organizes OCT Club activities

“Best Family Photo” Award

Children learning bakery at Myrules World

OCT Club calligraphy and tea party

“The World of Light and Shadow” Photography Contest

Guided by the aftersales service principles of “client first, devoted services, aligned practice, and full precaution”, the Group has set up more complaint channels to facilitate real-time feedback on handling progress through convenient and efficient complaint platforms, and classified client complaints and regulated handling process to effectively address client complaints in a fair, just, reasonable, and professional manner. The subsidiaries have established internal policies such as *OCT Chengdu Client Complaint Handling Policy*, *OCT Chengdu Client Compensation Policy* and *OCT Shanghai Client Complaint Handling Guidelines*. Complaints are classified into four grades according to risk level and client concern level. Regardless of complaint grades, feedback on handling results and proposed solution should be provided to clients within one week. Customer Service Center should record and analyze complaints, and report to the subsidiary management on a monthly basis. During the reporting year, the Group achieved the goals in decreased customer complaints and condo repair completion.

Environmental, Social and Governance Report

5 EMPLOYEE ENGAGEMENT

Regarding talents as the primary driving force to company growth, the Group focuses on the talent team construction, ensures and improves benefits and remuneration, offers valuable training opportunities, unleashes employees' full potentials, and creates a healthy and safe, equal and diverse working environment.

5.1 Health and safety guarantee

With work safety as the utmost priority, the Group strictly abides by local laws and regulations including the *Safe Production Law of the People's Republic of China, Fire Protection Law of the People's Republic of China, Emergency Response Law of the People's Republic of China, Provisions on Production Safety Accident Reporting and Investigation, Regulations on Company Safe Production Fund Withdrawal and Use, Labor Protection Articles Regulations*, and *Construction Quality and Safety Management Provisions of Shanghai*. The Group has issued *Measures on Safe Production Management Accountability*, and established the Production Safety Committee consisted of department heads, with an affiliated Production Safety Committee Office, which is responsible for regular inspections on fire equipment of the office and other areas in charge of, production safety risk investigations, employee production safety training, and reporting and planning of production safety implementation. The Group has also issued the *Measures for the Implementation of Production Safety Annual Appraisal* to duly reward or punish production safety principals based on their annual performance, laying a solid foundation for the sustainable development of the Group.

OCT (Asia) and the subsidiaries organized a variety of production safety promotion and training activities under the coordination of the Production Safety Committee and the Production Safety Committee Office to promote safety policies and safety education.

Fire education training and drill

In early November 2018, OCT Changshu held a fire protection campaign with the local fire department to promote knowledge on fire prevention, fire evacuation and fire extinguishing, and organize a fire drill at night, enhancing employees' emergency responsiveness and the company's command skills during fire emergencies.

OCT Changshu fire protection campaign

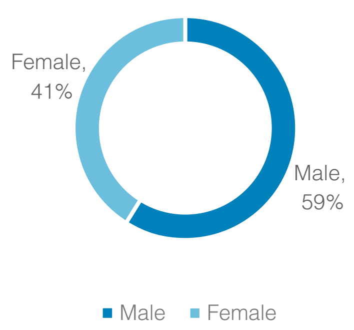
Environmental, Social and Governance Report

Besides working environment safety, the Group addresses employees' physical and mental health by observing the *Law of the People's Republic of China on Occupational Disease Prevention and Treatment*, the *13th Five-Year Plan on Occupational Diseases Treatment*, and the *Supervision and Management Measures on the "Three Simultaneous" Practice on Occupational Disease Preventive Facilities of Construction Projects* (simultaneous design, construction, and delivery), driving the construction of an occupational health monitoring and documentation system, developing the occupational disease prevention and treatment accountability mechanism, and strengthening the promotion, education and training of occupational health to employees.

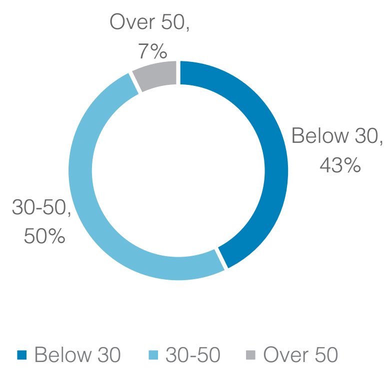
5.2 Employment diversity and equality

Respect for talents is fundamental to the continual generation of company wealth. Abiding local labor laws and regulations, the Group has developed a comprehensive labor management system based on the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and the *Law of the People's Republic of China on the Protection of the Minors*, and revised the *Management Measures on Employee Recruitment*, *Transfer, and Dismissal* and the *Management Measures on Labor Contract*, and clarified the recruitment requirements and procedures. The Group signs labor contracts with employees to protect their rights and interest, inhibits discrimination in any form, and verifies employee personal information by checking their ID cards and schooling records to prevent underage employment from the source. The Group also requires contractors to obey national labor laws and local regulations, inhibit forced labor or overtime, and pay worker salaries in time and in full amount.

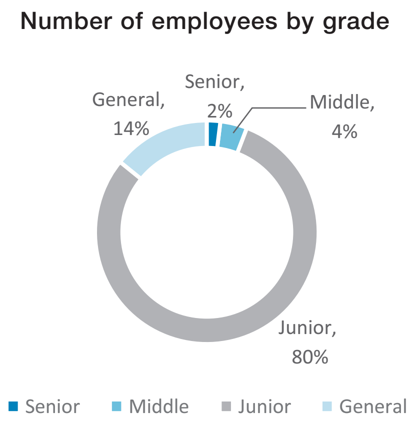
Number of employees by gender

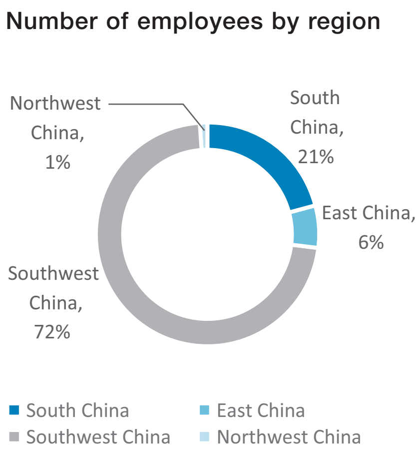


Number of employees by age



Environmental, Social and Governance Report





5.3 Benefits and cares for employee

Observing the laws and regulations including the *Social Insurance Law of the People's Republic of China*, the *Provisions on Employee Annual Paid Vacations*, the Group has revised the corporate policies such as the *Employee Manual*, the *Salary Management Measures* and the *Vacation Management Measures*, ensures timely payment for employees' social insurances and commercial insurance, and guarantees employees' rights to legal paid leaves. The Group promotes happy work and healthy life by providing various sports and entertainment activities for employees, to enhance their mutual understanding and communication, relieve their work pressure, and strike a balance between work and life.

Environmental, Social and Governance Report

Swimming competition – march forward!

On 4 September 2018, the OCT Group held the "March forward!" swimming competition. Ten contestants from OCT (Asia) participated in the competition, and won the third place in the 400m breaststroke and the first place in the 200m breaststroke group match, showcasing employees' positiveness.

OCT (Asia) joined the OCT Group swimming competition

OCT (Asia) joined the OCT Group dragon boat contest

On 12 June 2018, OCT (Asia) participated in the dragon boat contest held by the OCT Group. Though joining the contest for the first time, the female team won the third place, showcasing the Group's courage and aspiration to excel.

OCT (Asia) joined the OCT Group dragon boat contest

Environmental, Social and Governance Report

5.4 Employee training and development

Holding the belief of "people-centric innovation, appraisal, and excellence", the Group has established a talent development mechanism to support corporate growth. Internal policies such as the *Employee Manual*, the *Headquarter Human Resources Management Procedures*, and the *Implementation Measures of Training Management* form a management framework to facilitate the selection, echelon building, and development of talents on each level and in each specialty, supporting business transformation and expansion with talent resources. In 2018, the Group implemented the talent selection tactic of "fittest for the post" to fully motivate the employees, and improve the overall quality of specialized talents. OCT (Asia) introduced external financial professionals, organized training on investment management, legal risks control, and finance management for employees of different levels to systematically enhance business professionalism and operational management. The subsidiaries carried out function-specific training such as fit-out construction acceptance training, construction management training, and property management communication training. In the future, the Group will continue to improve the remuneration and appraisal system, and innovate the human resource mechanism to motivate employees.

Training on *Listing Rules*, 13 November 2018

6 SOCIAL CONTRIBUTION AND ENVIRONMENTAL PROTECTION

6.1 Green operation

In 2018, the main business of the Group shifted to integrated development and investment in industrial ecosphere of the new urbanization. During the period of structural adjustment, transformation and upgrading, the Group adheres to green operation, continuously improves the environmental management system to achieve the long-term goal of sustainable development.

6.1.1 Green construction

The Group actively responds to the government's call on environmental protection, energy conservation, and emission reduction, strictly abides by the *Law of the People's Republic of China on Environmental Protection*, the *Law of the People's Republic of China on Air Pollution Prevention and Treatment*, the *Law of the People's Republic of China on Water Pollution Prevention and Treatment*, the *Law of the People's Republic of China on Urban and Rural Planning*, the *Construction Law of the People's Republic of China*, *Provisions on Energy Conservation of Civil Buildings*, and other relevant laws and regulations, integrates concepts of environmental protection in building design and construction, promotes new green building technologies, strengthens building energy conservation management, and improves landscape ecological benefits, to develop green construction projects as the Group's key contribution to environmental protection.

The Group dedicates to offering clients with green products of high quality to through following environmental protection measures in planning, design, construction, and operation: 1) employ latest energy conservative technologies in the planning of garbage rooms and power substations to maximize ecological benefits; 2) implement dust-proof measures and strictly control construction times during construction, and employ qualified construction disposal contractors; 3) provide oily fume treatment facilities for commercial F&Bs as per relevant laws and regulation, and conform to relevant discharge standards.

Shanghai General Chamber of Commerce Building acquires three-star green building design certification

The Group adopted green technologies and measures including energy conservative lighting and rooftop greening for the renovation of the Shanghai General Chamber of Commerce Building, achieving the economic benefits of energy, water, and material conservation, and the ecological benefits of green environment improvement. With a 27% green space rate, 72.11% energy conservation rate, 0.71% non-traditional water source utilization rate, and 80.92% re-usable/recyclable material utilization rate, the building acquired the three-star green building certification – the top ranking of the construction industry of China on 25 June 2018, fully revitalizing the historic building.

Environmental, Social and Governance Report

Shanghai General Chamber of Commerce Building

三星级绿色建筑设计标识证书
CERTIFICATE OF GREEN BUILDING DESIGN LABEL

公共建筑 NO.20180903PD0023

建筑名称：华侨城苏河湾1街坊项目（上海总商会大楼）

建筑面积：0.45 万 m²

完成单位：华侨城（上海）置地有限公司、上海联创建筑设计有限公司、清华大学建筑学院

评价指标	设计值
容积率	3.74
绿地率	27.00%
建筑节能率	72.11%
可再生能源利用率	—
非传统水源利用率	0.71%
可再利用和可再循环材料利用率	80.92%
场地年径流总量控制率	—
工业化预制构件比例	—
室内空气污染物浓度	设计阶段不参评
物业管理	设计阶段不参评

有效期限：2018年06月25日-2019年06月24日 签发日期 2018年06月25日

Three-star certificate of green building design label

Environmental, Social and Governance Report

6.1.2 Green office

In order to achieve low-carbon development in response to the government's call on energy conservation and emission reduction, the Group has issued the *Corporate Vehicle Management Measures* to standardize the management of corporate vehicles through regular recording and reporting of gasoline and diesel oil consumption, promotes carpool among employees to improve energy efficiency and reduce exhaust emission, and strengthens electricity management and reduces electricity consumption during daily operation by installing energy conservative lighting fixtures, setting air-conditioning trigger temperature and time, and employing high efficiency elevators, etc.

Paying close attention to waste management, the Group has issued *Measures on Subsidiary Waste Paper Sales*, strengthens office waste recycling and re-utilization, requires subsidiaries to sell waste paper and leftover materials to paper recycling companies, collects and records hazardous office wastes such as waste printer cartridges and used batteries, and transfers them to qualified third-party for recycling. In addition, the Group adopts the OA System to promote paperless office, and encourages double-side printing and paper recycling; and transfers household and kitchen garbage to the municipal sanitation department for professional treatment.

The Group mainly consumes water from municipal water supply via office operation. The Group encourages employees to form the habit of conserving water, and adopts relevant measures such as installing automatic flushing devices in washrooms to reduce waste of water.

Environmental, Social and Governance Report

6.2 Community contribution

In 2018, holding the belief of "quality product for every household", the Group actively contributed to old town renovation and engaged in public services to bring real benefits to local communities, building a good corporate image.

Historic building renovation – culture inheritance and community integration

In 2018, Shanghai Suhewan Project completed the protective development of the Shanghai General Chamber of Commerce Building, and passed the historic preservation acceptance review. With the design concept to better pass on the cultural heritage of the Suhe Creek area, and create a benchmarking urban revitalization project, OCT Shanghai transformed the historic building to a more livable and more congenial architecture at the front of the Suzhou River. Since the opening ceremony of the "A Century's History of The General Chamber of Commerce" exhibition in June, the building had received 5,589 visitors in total, of which 886 were governmental officials, the Group management, and industry peers. The building is open to public since December 2018. OCT Shanghai has achieved a mutual vitalization of historic buildings and the city through cultural protection and inheritance of historic buildings and community engagements.

opening ceremony of the "A Century's History of The General Chamber of Commerce" exhibition and the exhibition hall

Environmental, Social and Governance Report

"Hike in the name of love" – charity hiking

To promote a low-carbon lifestyle and enhance charity development, OCT (Asia) volunteer group participated in the "hike in the name of love" activity in the countryside of Jinwan, raising funds for the public services to assist urban and rural community development.

OCT (Asia) charity hiking activity

OCT volunteer activities

On 28 March 2018, OCT (Asia) Youth League Committee volunteer group organized a volunteer activity at Shenzhen Window of the World to promote civilized behaviors, collect garbage, organize shared bikes, and offer help to tourists, promoting the Lei Feng spirit and showcasing the commitment to social responsibilities as a state-owned company.

OCT (Asia) volunteer activity

Environmental, Social and Governance Report

APPENDIX I LIST OF POLICIES

ESG KPI	External laws and regulations	Internal policies
A1 Emissions	*Law of the People's Republic of China on Environmental Protection* *Law of the People's Republic of China on Air Pollution Prevention and Treatment* *Law of the People's Republic of China on Water Pollution Prevention and Treatment* *Law of the People's Republic of China on Urban and Rural Planning*	*Corporate Vehicle Management Measures* *Construction Basic Procedures*
A2 Use of Resources	N.A	*Corporate Vehicle Management Measures* *Construction Basic Procedures*
A3 Environment and Natural Resources	N.A	*Construction Basic Procedures*
B1 Employment	*Labor Law of the People's Republic of China* *Labor Contract Law of the People's Republic of China* *Tax Law of the People's Republic of China* *Social Insurance Law of the People's Republic of China*	*Management Measures on Employee Recruitment, Transfer, and Dismissal* *Management Measures on Labor Contract* *Salary Management Measures* *Implementation Measures of Training Management* *Employee Work Attendance Management Measures* *Vacation Management Measures* *Employee Rewarding and Punishment Measures* *Post Ranking and Recruitment Management Procedures*

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ESG KPI	External laws and regulations	Internal policies
B2 Health and Safety	*Safe Production Law of the People's Republic of China* *Fire Protection Law of the People's Republic of China* *Emergency Response Law of the People's Republic of China* *Provisions on Production Safety Accident Reporting and Investigation* *Provisions of the People's Republic of China on Work Injury* *Regulations on Company Safe Production Fund Withdrawal and Use* *Labor Protection Articles Regulations* *Construction Quality and Safety Management Provisions of Shanghai*	*Safe Production Management Accountabilities* *Measures for the Implementation of Production Safety Annual Appraisal*
B3 Development and Training	N.A	*Employee Manual* *Human Resources Management Procedures* *Implementation Measures of Training Management*
B4 Labor Standards	*Law of the People's Republic of China on the Protection of the Minors* *Regulations on the Prohibition of Child Labor*	*The Group hires staff with education background of higher degree or above and certain work experience, and requires new staff to provide ID cards and schooling records to prevent child labor and underage employment from the source.*
B5 Supply Chain Management	*Law of the People's Republic of China on Bids and Tenders*	*Bidding and Procurement Management Measures*
B6 Product Responsibility	*Law of the People's Republic of China on Consumer Rights Protection* *Construction Law of the People's Republic of China* *Advertisement Law of the People's Republic of China*	*Policy on Property Owner Privacy Protection* *Client Privacy Protection Measures* *Client Relation Management Guidelines*

Environmental, Social and Governance Report

ESG KPI	External laws and regulations	Internal policies
B7 Anti-Corruption	*Anti-Corruption and Bribery Law of the People's Republic of China* *Anti-Money Laundering Law of the People's Republic of China*	*Bidding and Procurement Management Measures*
B8 Community Investment	N.A	The Group is currently practicing public services through targeted poverty alleviation and local volunteer activities.

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APPENDIX II DATA LIST

Remark: since the Group shifted its main businesses to integrated development and investment during the reporting period, the 2018 ESG data shall not be compared on the same basis with history data, thus the report discloses data of 2018 only. The Group will continuously monitor relevant data to enhance its ESG performance. The 2018 environmental data covers the integrated development business and the investment business of the Group.

ESG Indicator		Measurement Unit	2018 Data
A1.1	**The types of emissions and respective emissions data**		
	Nitrogen oxide (NOx)	kg	353
	Sulfur oxide (SOx)	kg	0.70
	Particulate matter emission	kg	34
	Total emissions per ten thousand RMB revenue	kg/ ten thousand RMB revenue	0.0024
A1.2	**Total greenhouse gas emissions and intensity**		
	Direct carbon emission (scope I)	CO_2 equivalent – T	725
	Direct carbon emission (scope II)	CO_2 equivalent – T	7,331
	Total greenhouse gas emissions	CO_2 equivalent – T	8,056
	Greenhouse gas emission per ten thousand RMB revenue	CO_2 equivalent – T/ ten thousand RMB revenue	0.05
A1.3	**Total hazardous wastes produced**		
	Waste fluorescent tubes	Piece	25
	Waste printer cartridges	Piece	130
	Waste batteries	Piece	106
	Waste ink boxes	Piece	42
	Total hazardous waste produced per ten thousand RMB revenue	Piece/ ten thousand RMB revenue	0.0019

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ESG Indicator		Measurement Unit	2018 Data
A1.4	**Total hazardless wastes produced**		
	Household wastes	Ton	7.49
	Kitchen wastes	Ton	4.70
	Total household and kitchen wastes per ten thousand RMB revenue	Ton/ ten thousand RMB revenue	0.000077
	Dust	Ton	3.50
	Construction wastes	Ton	229
	Fit-out wastes	Ton	167
	Total construction wastes per ten thousand RMB revenue	Ton/ ten thousand RMB revenue	0.0025
	Waste stationeries	Ton	0.03
	Waste office paper	Ton	0.25
	Waste glass bottles	Piece	21
	Waste plastic bottles	Piece	5,671
A2.1	**Total energy consumption and intensity**		
	Gasoline consumption	Liter	44,656
	Gasoline consumption per ten thousand RMB revenue	Liter/ ten thousand RMB revenue	0.28
	Diesel consumption	Liter	2,562
	Diesel consumption per ten thousand RMB revenue	Liter/ ten thousand RMB revenue	0.016
	Natural gas consumption	Ton	28.55
	Natural gas consumption per ten thousand RMB revenue	Liter/ ten thousand RMB revenue	0.00018
	Outsourced electricity	kWh	11,346,710
	Outsourced electricity per ten thousand RMB revenue	kWh/ ten thousand RMB revenue	71.6
A2.2	**Water consumption and intensity**		
	Total water consumption	Ton	19,183
	Water consumption per ten thousand RMB revenue	Ton/ ten thousand RMB revenue	0.12
B1.1	**Total workforce by gender, employment type, age group and geographical region**		
	Total workforce	Person	1,735

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ESG Indicator		Measurement Unit	2018 Data
Gender	Male	Person	1,018
	Female	Person	717
Employment type	Senior	Person	34
	Middle	Person	65
	Junior	Person	1,384
	General employees	Person	252
Age	Under 30	Person	741
	30-50	Person	870
	Over 50	Person	124
Region	South China	Person	359
	East China	Person	109
	Southwest China	Person	1,249
	Northwest China	Person	18

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ESG Indicator		Measurement Unit	2018 Data
B2.1	**Number of work-related fatalities**		
	Number of work-related fatalities	Person	0
	Work injury	Time	10
B2.2	Lost days due to work injury	Day	184
B3.1	**Numbers of employees trained by gender and employee type**		
	Total employees trained	Person	6,941
B3.2	**Training hours completed per employee by gender and employee type**		
	Total training hours	Hour	15,632

Environmental, Social and Governance Report

ESG Indicator		Measurement Unit	2018 Data
B6.2	**Number of products and service related complaints received**		
	Customer service	Time	522
	Construction	Time	258
	Sales	Time	86
	Design	Time	16
	Commerce	Time	64
	Property management	Time	86
B7.1	**Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period**		
	Number of raised or concluded legal cases regarding corrupt practices	Case	0

APPENDIX III ESG GUIDE INDEX

ESG KPI	Contents	Section of the report/statement
A1: Emissions	General disclosure	Social Contribution and Environmental Protection – Green operation
	A1.1 The types of emissions and respective emissions data.	Social Contribution and Environmental Protection – Green operation
	A1.2 Total greenhouse gas emissions and intensity.	Appendix II – Data List
	A1.3 Total hazardous waste produced and intensity.	Social Contribution and Environmental Protection – Green operation Appendix II – Data List
	A1.4 Total hazardless waste produced and intensity.	Social Contribution and Environmental Protection – Green operation Appendix II – Data List
	A1.5 Description of measures to mitigate emissions and results achieved.	Social Contribution and Environmental Protection – Green operation
	A1.6 Description of how hazardous and hazardless wastes are handled, reduction initiatives and results achieved.	Social Contribution and Environmental Protection – Green operation

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ESG KPI	Contents	Section of the report/statement
A2: Use of Resources	General disclosure	Social Contribution and Environmental Protection – Green operation
	A2.1 Direct and/or indirect energy consumption and intensity by type.	Social Contribution and Environmental Protection – Green operation Appendix II – Data List
	A2.2 Water consumption in total and intensity.	Social Contribution and Environmental Protection – Green operation Appendix II – Data List
	A2.3 Description of energy use efficiency initiatives and results achieved.	Social Contribution and Environmental Protection – Green operation
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Social Contribution and Environmental Protection – Green operation
	A2.5 Total packaging material used for finished products and per unit produced.	Social Contribution and Environmental Protection – Green operation
A3: Environment and Natural Resources	General disclosure	Social Contribution and Environmental Protection – Green operation
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Social Contribution and Environmental Protection – Green operation
B1: Employment	General disclosure	Employee Care – Employment diversity and equality Employee Care – Employee welfares
	B1.1 Total workforce by gender, employment type, age group and geographical region.	Employee Care – Employment diversity and equality Appendix II – Data List
	B1.2 Employee turnover rate by gender, age group and geographical region.	Employee Care – Employment diversity and equality Appendix II – Data List

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ESG KPI	Contents	Section of the report/statement
B2: Health and Safety	General disclosure	Employee Care – Health and safety Product and Service – Improve client experience
	B2.1 Number and rate of work-related fatalities.	Employee Care – Health and safety
	B2.2 Lost days due to work injury.	Employee Care – Health and safety
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Care – Health and safety
B3: Development and Training	General disclosure	Employee Care – Employee training and development
	B3.1 The percentage of employees trained by gender and employee category.	Employee Care – Employee training and development Appendix II – Data List
	B3.2 The average training hours completed per employee by gender and employee category.	Employee Care – Employee training and development Appendix II – Data List
B4: Labor Standards	General disclosure	Employee Care – Employment diversity and equality
	B4.1 Description of measures to review employment practices to avoid child and forced labor.	Employee Care – Employment diversity and equality
	B4.2 Description of steps taken to eliminate such practices when discovered.	Employee Care – Employment diversity and equality
B5: Supply Chain Management	General disclosure	Company Governance – Supplier management
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Company Governance – Supplier management

Environmental, Social and Governance Report

ESG KPI	Contents	Section of the report/statement
B6: Product Responsibility	General disclosure	Product and Service – Improve client experience
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product and Service – Improve client experience
	B6.2 Number of products and service related complaints received and how they are dealt with.	Product and Service – Improve client experience Product and Service – Maintain client relations Appendix II – Data List
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Company Governance – Supplier management
	B6.4 Description of quality assurance process and recall procedures.	Product and Service – Improve client experience Product and Service – Maintain client relations
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product and Service – Maintain client relations
B7: Anti-Corruption	General disclosure	Company Governance – Supplier management
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Appendix II – Data List
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Company Governance – Supplier management
B8: Community Investment	General disclosure	Appendix I – List of Disclosure Policies
	B8.1 Focus areas of contribution.	Social Contribution and Environmental Protection – Community contribution
	B8.2 Resources contributed to the focus area.	Social Contribution and Environmental Protection – Community contribution

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

Principal Place of Business

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 February 2005. Its registered office and principal place of business are at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, Cayman Islands and 59/F., Bank of China Tower, 1 Garden Road, Hong Kong respectively.

Principal Activities and Business Review

The Company is an investment holding company. During the Period under Review, the Group is principally engaged in the comprehensive development and the investment in the urbanisation industrial ecosphere business.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including an analysis of financial key performance indicators, possible future development plans for the Group's business, employment policy and subsequent event(s), can be found in "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 25 of the annual report. A summary of the principal risks faced by the Group is set out in the section headed "Corporate Governance Report" of the annual report on pages 30 to 50. This discussion forms part of this "Directors' Report".

Results and Distributions

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 105.

The Board has adopted a dividend policy (the "Dividend Policy") to enhance the transparency of dividends distributed by the Company and to facilitate the Shareholders and potential investors to make informed investment decisions. There is no guarantee or assurance that dividends of any amount will be declared or distributed in any given period and the Company does not have a predetermined dividend payout ratio. The declaration, payment and form of dividends is at the absolute discretion of the Board, and the final dividend to be declared shall be subject to the approval of the Shareholders, memorandum and articles of association (the "Articles") of the Company, the laws of Cayman Islands, any other applicable laws and regulations and the provision of this Dividend Policy.

The Board in determining the level of dividends will consider factors including: 1. Distributable profits; 2. Earnings; 3. Current financial position; 4. Capital requirements and expense planning; 5. Past financial performance; 6. Past and forecasted cash flows; 7. Business status and strategies; 8. Future operations and profitability; 9. Shareholder interests; 10. Restrictions on dividend payments (including contractual restrictions, such as restrictions stipulated in any financing agreements). Subject to Shareholders' approval at a general meeting and to the relevant laws and regulations of the PRC, any applicable rules and regulations, the Articles and after consideration on the factors above, the Company may also declare interim dividends, final dividends, special dividends and/or any distributions that is considered appropriate by the Board in addition to the annual distributions. The Board will review the Dividend Policy from time to time.

Subject to the above, the Directors proposed the distribution of a dividend of HK22 cents per ordinary share for the year ended 31 December 2018 (2017: HK48 cents per ordinary share).

Financial Statements

The profit of the Group for the year ended 31 December 2018 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 105 to 112.

Directors' Report

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER

The register of members of the Company will be closed from 14 June 2019 to 19 June 2019 (both days included), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting (the "Annual General Meeting"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 13 June 2019.

The Board proposes the payment of a final dividend (the "Final Dividend") of HK22 cents per share to shareholders whose names appear on the register of members of the Company on 27 June 2019. The register of members will be closed from 25 June 2019 to 27 June 2019, both days included. The proposed Final Dividend is expected to be paid on 9 July 2019. The payment of the Final Dividend shall be subject to the approval of the shareholders at the Annual General Meeting to be held on 19 June 2019. In order to be qualified for the proposed Final Dividend, shareholders should deliver share certificates together with transfer documents to 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, Hong Kong, for registration no later than 4:30 p.m. on Monday, 24 June 2019.

TRANSFER TO RESERVES

Profit attributable to shareholders of the Company before payment of dividends of approximately RMB570.01 million (2017: approximately RMB1.06 billion) has been transferred to reserves. Other movements in the reserves are set out in the consolidated statement of changes in equity and note 27 to the consolidated financial statements.

FIXED ASSETS

During the Period under Review, the Group invested approximately RMB278.46 million for the acquisition of fixed assets (including construction in progress). Details of the movements of fixed assets and construction in progress are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

As at 26 April 2018, the Company converted 96,000,000 convertible preference shares (the "Conversion") and issued 96,000,000 new ordinary shares at a conversion price of HK$4.05 per ordinary share.

As a result of the above, as of 31 December 2018, the total number of the issued ordinary shares of the Company was 748,366,000 shares, increasing by 96,000,000 shares compared with last year; after the said conversion of the Convertible Preference Shares, the Company has no outstanding Convertible Preference Shares in issue. On 5 June 2018, the Shareholders approved special resolutions in relation to cancellation of the Convertible Preference Shares which had not been taken or agreed to be taken by any person, and diminishing the amount of its share capital by the amount of the Shares so cancelled.

Details of the movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

Directors' Report

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2018 amounted to RMB2.78 billion.

PRE-EMPTIVE RIGHTS

There was no provision in respect of pre-emptive rights in the articles of association of the Company or any requirement in the laws of the Cayman Islands requiring the Company to issue new shares to the existing Shareholders proportionately.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not purchased its own listed shares during the Period under Review. During the Period under Review, save as disclosed in this report, the Company or any of its subsidiaries has not purchased or sold or redeemed any listed shares of the Company.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

SERVICE CONTRACTS

No Director has an unexpired service contract which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. Our comprehensive development business carried out the concept of green construction, including construction planning and design, application of renewable energy, environmentally-friendly construction and green operation.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China while the Company itself is listed on the Stock Exchange. Our operations accordingly shall comply with relevant laws and regulations in Mainland China and Hong Kong. During the year ended 31 December 2018, the Group did not violate the relevant laws and regulations that have a significant impact on the Company.

Directors' Report

DIRECTOR

The Directors during the year were as follows:

Executive Directors:

Mr. He Haibin *(Chairman)*
Ms. Xie Mei *(CEO)*
Mr. Lin Kaihua

Non-executive Director:

Mr. Zhang Jing

Independent Non-executive Directors:

Mr. Lu Gong
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no contract of significance in relation to the Group's business to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries 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.

PERSONAL BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Personal biographies of Directors and senior management are set out on page 26 to 29.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business other than the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2018 and up to and including the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, no interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix X of the Listing Rules.

Directors' Report

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2018, to the knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which should be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long and Short Positions in Shares

Name of substantial shareholders	Capacity/Nature	Number of shares	Approximate % of shareholding
Pacific Climax Limited ("Pacific Climax")*(Note1)*	Beneficial owner	530,894,000 (long position)	70.94%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation *(Note2)*	530,894,000 (long position)	70.94%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.")	Interest of a controlled corporation *(Note3)*	530,894,000 (long position)	70.94%
Overseas Chinese Town Group Company Limited ("OCT Group")	Interest of a controlled corporation *(Note4)*	530,894,000 (long position)	70.94%

Note:

(1) The interests held by Pacific Climax consist of interests (long position) in 530,894,000 ordinary shares. Ms. Xie Mei and Mr. Lin Kaihua, both being executive Directors, and Mr. Zhang Jing, being a non-executive Director, are also directors of Pacific Climax.

(2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT (HK) is deemed, or taken to be interested in all the Shares beneficially held by Pacific Climax for the purpose of the SFO. Mr. He Haibin and Ms. Xie Mei, both being executive Directors, and Mr. Zhang Jing, being a non-executive Director, are also directors of OCT (HK).

(3) OCT Ltd. is the beneficial owner of all the issued share capital of OCT (HK), which is in turn the beneficial owner of all the issued share capital of Pacific Climax. OCT Ltd. is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT (HK) and Pacific Climax pursuant to the SFO. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.

(4) OCT Group is the beneficial owner of 46.99% of the issued shares of OCT Ltd., which is the beneficial owner of all the issued shares of OCT (HK) and in turn, the beneficial owner of all the issued share capital of Pacific Climax. Therefore, OCT Group is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT Ltd., OCT (HK) and Pacific Climax for the purpose of the SFO.

Save as disclosed above, as at 31 December 2018, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

Directors' Report

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Period under Review.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the Period under Review is as follows:

	Percentage of the Group's total	
	Revenue	**Purchases**
The largest customer	7.0%	
Five largest customers in aggregate	28.5%	
The largest supplier		31.5%
Five largest suppliers in aggregate		49.3%

At no time during the year have the Directors of the Company, their associates or any shareholders (who to the knowledge of the Directors owns more than 5% of the share capital of the Company) had any interest in the Group's five largest suppliers or customers.

Connected Transactions

During the year, the Group has the following continuing connected transactions (the "Connected Transactions") and the Company has fully complied with the announcement, reporting and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules (where applicable):

1. On 28 December 2016, the Company and OCT Group entered into a cartons sale and purchase agreement for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Cartons Sale and Purchase Agreement"). Pursuant to the Cartons Sale and Purchase Agreement, the Group has agreed to sell cartons and other paper products to OCT Group and its associates. The exact amount of products to be sold and the selling price will be determined by OCT Group and/or its associates and the Group on each sale transaction with reference to the prevailing market prices of the products.

   OCT Group is the holding company of OCT Ltd. and holds approximately 46.99% interests in OCT Ltd. as at the date of this annual report. OCT Ltd. owns 100% equity interest in OCT (HK), which in turn owns 100% equity interests in Pacific Climax, which is a controlling shareholder of the Company. Accordingly, each of OCT Group and its associates is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said new Cartons Sale and Purchase Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

2. On 28 December 2016, OCT Shanghai Land entered into a property management agreement with Shanghai Branch Office ("OCT Property Service Shanghai Branch") of Shenzhen Overseas Chinese Town Property Service Company Limited (深圳市華僑城物業服務有限公司) ("OCT Property Service") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Property Management Agreement"). Pursuant to the Property Management Agreement, OCT Property Service Shanghai Branch will provide property management services to OCT Shanghai Land in relation to the Shanghai Suhewan Project, the management fees payable will be calculated based on the actual areas that are managed, and the labour costs to be incurred by OCT Property Service Shanghai Branch. The parties shall enter into separate management contract(s) for the precise property that would be managed by OCT Property Service Shanghai Branch which shall specify the payment arrangement for the management fees.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property Service is a connected person of the Company within the meaning of the Listing Rules. OCT Property Service Shanghai Branch is a branch company of OCT Property Service. Therefore, the arrangement of the said Property Management Agreement constitutes a continuing connected transaction under the Listing Rules.

3. On 28 December 2016, OCT Shanghai Land entered into an electrical and mechanical services consultation agreement with Shenzhen Overseas Chinese Town Water and Electricity Company Limited (深圳華僑城水電有限公司) ("OCT Electricity") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Electrical and Mechanical Services Consultation Agreement"). Pursuant to the Electrical and Mechanical Services Consultation Agreement, OCT Electricity will provide electrical and mechanical consultation services to OCT Shanghai Land in relation to the Shanghai Suhewan Project. The consultation fees under the Electrical and Mechanical Services Consultation Agreement will be calculated based on the labour costs payable by OCT Electricity. The parties shall enter into separate consultation contracts for the consultation services that would be provided by OCT Electricity which shall specify the payment arrangement for the consultation fees.

   OCT Electricity is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Electricity is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Electrical and Mechanical Services Consultation Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

4. On 28 December 2016, Chengdu OCT entered into a property management framework agreement with Chengdu branch office of OCT Property Service ("OCT Property Service Chengdu Branch") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Property Management Framework Agreement"). Pursuant to the Property Management Framework Agreement, OCT Property Service Chengdu Branch will provide property management services to Chengdu OCT in relation to Chengdu OCT's project in Chengdu. The management fees payable under the Property Management Framework Agreement will be calculated based on the actual areas that are managed and the manpower that have been employed by OCT Property Service Chengdu Branch and the parties shall enter into separate management contract(s) for the precise property that would be managed by OCT Property Service Chengdu Branch which shall specify the payment arrangement for the management fees.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Property Service is a connected person of the Company within the meaning of the Listing Rules. OCT Property Service Chengdu Branch is a branch office of OCT Property Service. Therefore, the arrangement of the said Property Management Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

5. On 28 December 2016, Chengdu OCT entered into an electricity consultation services agreement with OCT Electricity Chengdu Branch with a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Electricity Consultation Services Agreement"), pursuant to which, OCT Electricity Chengdu Branch will provide, among others, daily and regular inspection, maintenance and management service to Chengdu OCT, its subsidiaries and branches in relation to certain electricity facilities in properties in the operating areas of Chengdu OCT and provide consultation services to Chengdu OCT, its subsidiaries and branches in relation to professional electricity supply skills and related business and the plan of constructing an electricity monitoring system of Chengdu OCT. The fees for the services will be determined by the parties by way of negotiation with reference to the prevailing market prices at the time of provision of such services and shall be paid on a quarterly basis.

   OCT Electricity is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Electricity is a connected person of the Company within the meaning of the Listing Rules. OCT Electricity Chengdu Branch is a branch office of OCT Electricity. Therefore, the arrangement of the said Electricity Consultation Services Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

6. On 28 December 2016, Chengdu OCT entered into a theme show framework agreement with Shenzhen Overseas Chinese Town International Media and Performance Company Limited (深圳華僑城國際傳媒演藝有限公司) ("OCT International Media") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Theme Show Framework Agreement"), pursuant to which, OCT International Media, its subsidiaries and branches agreed to (1) provide planning, costumes design and production, consultation and other services to Chengdu OCT for new projects in the future; (2) be fully responsible for the improvement, amendment and other works of Paradise Ethos; (3) complete the improvement and modification works for the existing performance projects in the Theme Park of Chengdu OCT, including but not limited to, scene play, theatre party, float parade, festival performance, etc.; and (4) assist Chengdu OCT to complete other performance works. The specific payment arrangement will be specified in the separate service agreement(s) to be entered into between the parties.

   OCT International Media is an indirect wholly-owned subsidiary of OCT Ltd., and hence, OCT International Media is a connected person of the Company. Therefore, the arrangement of the said Theme Show Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

7. On 28 December 2016, Chengdu OCT entered into a framework agreement with Shenzhen Konka E-display (深圳市康佳壹視界商業顯示有限公司) for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Konka Framework Agreement"). Pursuant to the Konka Framework Agreement, Chengdu OCT, its subsidiaries and branches agreed to purchase and Konka Group Chengdu Branch agreed to supply the LED equipment, television and other electronic products and services to Chengdu OCT.

   OCT Group directly owns approximately 21.75% of the total issued share capital of Konka Group, and has gained control over the majority of its board. Hence, Konka Group is a connected person of the Group within the meaning of the Listing Rules. Konka Group Chengdu Branch is a branch office of Konka Group. Therefore, the arrangement of the said Konka Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

8. On 28 December 2016, Happy Valley branch office of Chengdu OCT ("Chengdu OCT Happy Valley Branch") entered into an entertainment facilities framework agreement with Shenzhen OCT Culture Tourism and Technology Holdings Co., Ltd. (深圳華僑城文化旅遊科技股份有限公司) ("OCT Culture") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Entertainment Facilities Framework Agreement"). Pursuant to the Entertainment Facilities Framework Agreement, Chengdu OCT Happy Valley Branch agreed to purchase and OCT Culture agreed to supply entertainment facilities and related services to Chengdu OCT Happy Valley Branch.

   OCT Culture is a non wholly-owned subsidiary of OCT Ltd. Hence, OCT Culture is a connected person of the Group within the meaning of the Listing Rules. Therefore, the arrangement of the said Entertainment Facilities Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

9. On 28 December 2016, Chengdu OCT Happy Valley Branch entered into a cooperation agreement with Chengdu Branch office of OCT Creative Culture Hotel ("OCT Creative Culture Hotel Chengdu Branch") for a term of three years with effect from 1 January 2017 to 31 December 2019, pursuant to which, among others, Chengdu OCT Happy Valley Branch agreed to sell tickets of the Theme Park to OCT Creative Culture Hotel Chengdu Branch at a fixed discounted price per ticket. OCT Creative Culture Hotel Chengdu Branch shall settle the ticket sales on a monthly basis in cash for the actual transaction amount.

   OCT Creative Culture Hotel is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Creative Culture Hotel is a connected person of the Company within the meaning of the Listing Rules. OCT Creative Culture Hotel Chengdu Branch is a branch office of OCT Creative Culture Hotel. Therefore, the arrangement of the said Cooperation Agreement constitutes a continuing connected transaction under the Listing Rules.

10. On 28 December 2016, Chengdu OCT entered into Chengdu Tenancy I with OCT Creative Culture Hotel Chengdu Branch for a term of three years with effect from 1 January 2017 and ending on 31 December 2019, pursuant to which, Chengdu OCT agreed to lease certain properties owned by Chengdu OCT located in Jinniu District, Chengdu, Sichuan Province, the PRC to OCT Creative Culture Hotel Chengdu Branch for the operation of inns.

    OCT Culture is an indirect wholly-owned subsidiary of OCT Ltd. Therefore, OCT Culture is a connected person of the Company within the meaning of the Listing Rules. OCT Creative Culture Hotel Chengdu Branch is a branch office of OCT Culture. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

11. On 28 December 2016, Chengdu OCT entered into Chengdu Tenancy II with Chengdu branch office ("OCT Hake Chengdu Branch") of Shenzhen OCT Hake Culture Company Limited ("OCT Hake") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019, pursuant to which, Chengdu OCT agreed to lease certain properties located in Jinniu District, Chengdu, Sichuan Province, the PRC to OCT Hake Chengdu Branch for the operation of an entertainment centre for children.

    OCT Hake is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Hake is a connected person of the Company within the meaning of the Listing Rules. OCT Hake Chengdu Branch is a branch office of OCT Hake. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

12. On 28 December 2016, Chengdu OCT Happy Valley Branch entered into a travel consultation agreement with Shenzhen OCT Tourism Planning Consultancy Company Limited ("OCT Tourism") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Travel Consultation Agreement"), pursuant to which, Chengdu OCT Happy Valley Branch agreed to entrust OCT Tourism to provide planning programme, planning and design, architectural design, landscape design, operational consultation and other services for the development projects. The specific payment arrangement will be specified in the separate service agreement(s) to be entered into between the parties.

    OCT Tourism is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Tourism is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Travel Consultation Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

13. On 28 December 2016, Xi'an OCT Land entered into the Xi'an Tenancy I with Overseas Chinese Town (Xi'an) Industry Company Limited ("OCT Xi'an Industry") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Xi'an Tenancy I"), pursuant to which, Xi'an OCT Land agreed to lease a property located in Nanguanzheng Street, Xi'an, the PRC to OCT Xi'an Industry as office premises.

    OCT Xi'an Industry is an indirect non wholly-owned subsidiary of OCT Ltd. Therefore, OCT Xi'an Industry is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

14. On 29 September 2017, Shenzhen Overseas Chinese Town Entertainment Investment Limited (深圳華僑城都市娛樂投資公司) ("OCT Entertainment") entered into a new tenancy agreement with Shenzhen Oversea Chinese Town Gang Ya Development Co., Ltd ("Gang Ya Development") for a term of three years with effect from 1 October 2017 and ending on 30 September 2020 ("New Tenancy Agreement"), pursuant to which, OCT Entertainment agreed to continue to lease certain properties located in Nanshan district, Shenzhen, Guangdong Province, the PRC to Gang Ya Development as office premises.

    OCT Entertainment is a branch office of OCT Real Estate. OCT Real Estate is a wholly-owned subsidiary of OCT Ltd. Therefore, OCT Real Estate is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

15. On 30 August 2018, Xi'an OCT Land entered into the Xi'an Tenancy II with OCT Xi'an Industry for a term fourteen months with effect from 1 November 2018 and ending on 31 December 2019 ("Xi'an Tenancy II"), pursuant to which, Xi'an OCT Land agreed to lease a property located at Nanguanzheng Street, Xi'an, the PRC to OCT Xi'an Industry as office premises.

    OCT Xi'an Industry is an indirect non wholly-owned subsidiary of OCT Ltd. Therefore, OCT Xi'an Industry is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

16. On 30 August 2018, Xi'an OCT Land entered into the Xi'an Tenancy III with OCT Xi'an Industry for a term sixteen months with effect from 1 September 2018 and ending on 31 December 2019 ("Xi'an Tenancy III"), pursuant to which, Xi'an OCT Land agreed to lease a property located in Nanguanzheng Street, Xi'an, the PRC to OCT Xi'an Industry as office premises.

    OCT Xi'an Industry is an indirect non wholly-owned subsidiary of OCT Ltd. Therefore, OCT Xi'an Industry is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

    Details of items 1 to 13 of the Connected Transactions are set out in the announcement of the Company dated 28 December 2016. Details of item 14 of the Connected Transactions are set out in the announcement of the Company dated 29 September 2017. Details of items 15 to 16 of the Connected Transactions are set out in the announcement of the Company dated 30 August 2018.

Directors' Report

The transaction amount and cap amount of the Connected Transactions for the year ended 31 December 2018 are as follows:

	Particulars of the continuing connected transactions	Transaction amount for the year ended 31 December 2018 RMB'000 (approx.)	Annual cap for the year ended 31 December 2018 RMB'000
1	Cartons Sale and Purchase Agreement between the Group and OCT Group	7,518	70,000
2	New Property Management Agreement Between OCT Shanghai Land and OCT Property Service Shanghai Branch	5,343	9,900
3	Electrical and Mechanical Services Consultation Agreement between OCT Shanghai Land and OCT Electricity	700	1,000
4	Property Management Framework Agreement between Chengdu OCT and OCT Property Service Chengdu Branch	10,537	20,000
5	Electricity Consultation Services Agreement between Chengdu OCT and OCT Electricity Chengdu Branch	4,824	13,000
6	Theme Show Framework Agreement between Chengdu OCT and OCT International Media	–	20,000
7	Konka Framework Agreement between Chengdu OCT and Konka Group Chengdu Branch	407	440
8	Entertainment Facilities Framework Agreement between Chengdu OCT Happy Valley Branch and OCT Culture	–	400
9	Cooperation Agreement between Chengdu OCT Happy Valley Branch and OCT Creative Culture Hotel Chengdu Branch	41	2,000
10	Chengdu Tenancy I between Chengdu OCT and OCT Creative Culture Hotel Chengdu Branch	1,462	3,000
11	Chengdu Tenancy II between Chengdu OCT and OCT Hake Chengdu Branch	1,005	1,450
12	Travel Consultation Agreement between Chengdu OCT Happy Valley Branch and OCT Tourism	–	5,000
13	Xi'an Tenancy I between Xi'an OCT Land and OCT Xi'an Industry	3,532	3,532
14	New Tenancy Agreement between Gang Ya Development and OCT Entertainment with respect to office premises	Rent: 3,657 Annual ancillary miscellaneous charge: 122	Rent: 3,815 Annual ancillary miscellaneous charge: 685
15	Xi'an Tenancy II between Xi'an OCT Land and OCT Xi'an Industry	462	462
16	Xi'an Tenancy III between Xi'an OCT Land and OCT Xi'an Industry	206	206

The Directors confirm that for the above Connected Transactions, the Company has complied with the disclosure, reporting and/or shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' Report

The independent non-executive Directors have reviewed the above Connected Transactions and confirmed that the above Connected Transactions are:

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

(2) on normal commercial terms, or if there are insufficient comparable transactions to judge whether the terms of those transactions are on normal commercial terms, as far as the Company is concerned, the terms of the above transactions are not less favourable than those available to or from independent third parties (as the case may be); and

(3) entered into under the terms of the agreements in respect of the relevant transactions and the terms of the transactions are fair and reasonable and in the interest of the shareholders of the Company as a whole.

In addition, the Company's auditors have also confirmed in writing to the Board:

Nothing had come to their attention which caused them to believe that:

- the Connected Transactions had not received the approval of the Board;
- the Connected Transactions had not been entered into, in all material aspects, in accordance with the relevant agreements governing the transactions;
- the Connected Transactions had not been entered into, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group; and
- the transaction amount incurred in 2018 for each of the Connected Transactions had exceeded the aggregate annual value as disclosed in the Company's announcements dated 28 December 2016, 29 September 2017 and 30 August 2018.

The related party transactions are set out in note 31 to the consolidated financial statements of the Company. Except for the connected transactions and continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2018, OCT Group and its associates provided financial support to the Group, and the interest and related expenses payable by the Group to OCT Group and its associates amounted to approximately RMB92.09 million in total. Such financial support constitutes a connected transaction of the Company, but was exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on the reason that the financial support provided to the Group by OCT Group and its associates and which benefited the Company was made on normal commercial terms (or more favourable than that provided to the listing issuer) to provide loans to the Company and no asset of the Group was pledged as collateral for this financial support.

Directors' Report

On 21 December 2018, OCT Shanghai Land (an indirect wholly-owned subsidiary of the Company) entered into the management and consultancy agreement ("Shanghai Huahe Management Agreement") with Shanghai Huahe Real Estate Development Co., Ltd. (上海華合房地產開發有限公司) ("Shanghai Huahe"), pursuant to which, OCT Shanghai Land will provide management and consultancy services in respect of the development and construction project to Shanghai Huahe at a service fee in the sum of RMB47,520,000. Shanghai Huahe is a joint venture company established in the PRC, which is owned by OCT Real Estate, a wholly-owned subsidiary of OCT Ltd., as to 50%. OCT Ltd. owns 100% interest in OCT (HK), which in turn owns 100% equity interests in Pacific Climax. Therefore, Shanghai Huahe is a connected person to the Company pursuant to Chapter 14A of the Listing Rules and the management services contemplated under the Shanghai Huahe Management Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

BANK LOANS AND OTHER LOANS

Particulars of bank loans and other loans of the Company and the Group as at 31 December 2018 are set out in note 24 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on pages 231 to 232 of this annual report.

RETIREMENT SCHEMES

The Group participates in two defined contribution retirement schemes which cover the Group's full-time employees. Particulars of these retirement schemes are set out in note 25 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent parties.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Company has purchased appropriate and sufficient liability insurance to indemnify its Directors and senior management in respect of legal actions against the Directors and senior management.

AUDITOR

RSM Hong Kong resigned as the auditor of the Company from 22 December 2017. KPMG has been appointed as the auditor of the Company since 22 December 2017. KPMG will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of KPMG as the auditor of the Company will be proposed at the forthcoming annual general meeting.

Directors' Report

PUBLIC FLOAT

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

SHARE OPTION SCHEME

Under the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to attract and retain the best available personnel, to provide additional incentive to the employees (full-time and part-time), Directors, consultants and advisers of the Group and to promote the business development of the Group. The New Scheme shall be valid and effective for a period of ten years ending on 14 February 2021, unless terminated earlier by shareholders of the Company at a general meeting.

The participants of the New Scheme include any full-time or part-time employee, Director, advisor and professional consultant of the Group or any member of the Group. The Directors may at their absolute discretion and on such terms as they may think fit, propose any eligible people under the New Scheme to take up options.

An offer for the grant of options must be accepted within 28 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer is HK$1.00.

The subscription price of a share in respect of any particular option granted under the New Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under all the New Schemes and any other share option scheme of the Company does not exceed 10% of the shares in issue at the date of approval of the New Scheme. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all options granted but yet to be exercised under all new schemes and any other share option scheme of the Company does not exceed 30% of the shares in issue at the time.

The total number of options not yet issued under the New Scheme as at the date of this report was 20,436,000, which represented approximately 2.73% of all the issued share capital of the Company as at the date of this report. An option may be exercised in accordance with the terms of the New Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant. The total number of shares issued and may be issued upon exercise of options granted to any grantee (including both exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company then in issue.

Directors' Report

Pursuant to the terms of the New Scheme, the Company granted 30,100,000 options to some eligible participants (including some Directors and employees) at the exercise price of HK$4.04 and the grant price of HK$1 on 3 March 2011. Details of the above share options granted under the New Scheme are set out in the announcement of the Company dated 3 March 2011. As at 2 March 2016, all share options granted under the New Scheme have expired, lapsed and cancelled. As at 31 December 2018, no share options was granted, exercised, lapsed and cancelled under the New Scheme.

Save for the above, at no time during the period prior to the date of this report was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporates.

After the end of the Period under Review, the Directors proposed a final dividend. Further details are disclosed in note 27 to the consolidated financial statements of the Company.

By Order of the Board
Chairman
He Haibin

Hong Kong, 29 March 2019

Independent Auditor's Report

Independent auditor's report to the shareholders of
Overseas Chinese Town (Asia) Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Overseas Chinese Town (Asia) Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 105 to 230, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Independent Auditor's Report

Key audit matters *(continued)*

Valuation of financial assets measured at fair value through profit or loss (FVPL)

Refer to note 17 to the consolidated financial statements and the accounting policies in note 1(g).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2018, the aggregate carrying value of the Group's financial assets measured at FVPL totalled RMB276 million, which were all unlisted and classified under the fair value hierarchy as level 3. The valuation of the Group's financial assets measured at FVPL is based on valuation models which often require a considerable number of inputs. Where observable data are not readily available, as in the case of all level 3 financial assets measured at FVPL, estimates need to be developed which could involve significant management judgement. The fair value of the Group's financial assets measured at FVPL at 31 December 2018 was assessed by the directors primarily based on independent valuation reports prepared by a firm of qualified external valuers. We identified assessing the fair value of financial assets measured at FVPL as a key audit matter because of the degree of complexity involved in valuing these financial assets and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of unlisted financial assets measured at FVPL included the following: • obtaining and inspecting the valuation assessment prepared by the external valuers engaged by the directors and on which the directors' assessment of the fair values of the Group's financial assets measured at FVPL was based; • assessing the external valuers' qualifications, experience and expertise in the assets being valued and considering their objectivity and independence; • with the assistance of our internal valuation specialists, discussing with the external valuers, without the presence of management, their valuation methodologies in assessing the fair values of unlisted equity securities; assessing the key assumptions and critical judgements adopted which impacted the valuation by comparing these assumptions and critical judgements with market data, or other publicly available information; and • assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Key audit matters *(continued)*

Accounting for acquisition of the interest in Yuzhou Properties Company Limited ("Yuzhou Properties")

Refer to note 15 to the consolidated financial statements and policies in note 1(e).

The Key Audit Matter

On 31 August 2018, the Group entered into a subscription agreement with Yuzhou Properties, pursuant to which the Group would subscribe 460,489,606 ordinary shares of Yuzhou Properties, representing 9.9% of the enlarged issued share capital of Yuzhou Properties, with total consideration of HKD1,823,539,000 (equivalent to approximately RMB1,588,394,000). Upon the completion of the subscription, the Group can exercise significant influence over the relevant activities of Yuzhou Properties by appointing a representative in the board of directors of Yuzhou Properties and thus Yuzhou Properties is accounted for as an associate of the Group using the equity method.

As at the date of completion of the subscription, the Group's share of fair value of identifiable assets and liabilities of Yuzhou Properties amounted to RMB1,745,293,000, which exceeds the total consideration by RMB156,899,000 and the amount was recognised as a gain on bargain purchase under share of profits less losses of associates in the consolidated statement of profit or loss during the year.

We identified accounting for acquisition of the interest in Yuzhou Properties as a key audit matter because of the significant impact the acquisition has on the consolidated financial statements and because the valuation of identifiable assets and liabilities of Yuzhou Properties requires significant judgement and estimation which increases the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures on accounting for acquisition of the interest in Yuzhou Properties included the following:

- inspecting the subscription agreement and enquiring management of the Group's involvement over the relevant activities of Yuzhou Properties with supporting documents, and evaluating management's accounting treatment for the acquisition;
- obtaining and inspecting the valuation assessment prepared by the external valuers engaged by the directors and on which the directors' assessment of the fair values of the assets and liabilities acquired was based;
- assessing the external valuers' qualifications, experience and expertise in the assets being valued and considering their objectivity and independence;
- with the assistance of our internal valuation specialists, discussing with management and/or the external valuers their valuation methodologies in assessing the fair values of the assets and liabilities acquired; assessing the key assumptions and critical judgements adopted which impacted the valuation by comparing these assumptions and critical judgements with market data or our past experience of similar transactions; and
- assessing the disclosures in the consolidated financial statements in respect of the acquisition with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Key audit matters *(continued)*

Net realisable value of inventories of comprehensive development business

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

The key audit matter

As at 31 December 2018, the aggregate carrying value of the Group's properties held for future development and under development for sale and completed properties held for sale (together "inventories of comprehensive development business") totalled RMB7,056 million.

These principally comprise residential and office properties in Shanghai and Chengdu held for sale.

Inventories of comprehensive development business are carried at the lower of cost and net realisable value. The calculation of the net realisable value for each property development project at the financial reporting date is performed by management.

The calculation of the net realisable value of inventories of comprehensive development business involves significant management judgement and estimation in preparing the updated estimations of the costs to complete each property development project as well as in assessing the expected future net selling prices for each property development project (with reference to recent sales transactions in nearby locations), the estimated future selling costs and the relevant taxes.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of inventories of comprehensive development business included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project;
- conducting site visits to property development sites, on a sample basis, and discussing with management the progress of each property development project visited and the development budgets reflected in the latest forecasts for these property development projects;
- evaluating the valuation methodology adopted by management for assessing the net realisable value of inventories of comprehensive development business and comparing the key estimates and assumptions adopted in the valuations, including those relating to average net selling prices, with market available data and the sales budget plans maintained by the Group;

Independent Auditor's Report

Key audit matters *(continued)*

Net realisable value of inventories of comprehensive development business *(continued)*

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

The key audit matter	How the matter was addressed in our audit
We identified the assessment of net realisable value of the Group's inventories of comprehensive development business as a key audit matter because of the significance of inventories of comprehensive development business to the assets of the Group and because of the inherent risks involved in estimating the costs to complete each property development project and the future selling prices for each property development project, particularly in light of the current economic circumstances and various property market measures implemented in various cities across Mainland China.	• comparing the estimated construction costs to complete each property development project with the Group's latest budgets and comparing the costs incurred to 31 December 2018 with budgets as at 31 December 2017 to assess the accuracy of management's forecasting and budgeting process; and • performing sensitivity analyses to determine the extent of changes in key estimates and assumptions that, either individually or collectively, would be required for inventories of comprehensive development business to be materially misstated and considering the likelihood of such a movement in those key estimates and assumptions arising and the potential for management bias in their selection.

Independent Auditor's Report

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

Auditor's responsibility for the audit of the consolidated financial statements *(continued)*

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.

Independent Auditor's Report

Auditor's responsibility for the audit of the consolidated financial statements *(continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Chun Pong.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Restated)* *(Note)* RMB'000
Continuing operations			
Revenue	3	1,584,694	4,109,462
Cost of sales		(1,026,106)	(2,561,837)
Gross profit		558,588	1,547,625
Other income	4(a)	124,257	26,431
Other net gains	4(b)	368,930	1,058,258
Distribution costs		(124,736)	(215,451)
Administrative expenses		(334,304)	(265,228)
Other operating expenses		(459)	(954)
Profit from operations		592,276	2,150,681
Finance costs	5(a)	(175,061)	(187,942)
Share of profits less losses of associates	15	418,994	104,060
Share of profit/(loss) of joint ventures	16	229,244	(8,322)
Profit before taxation	5	1,065,453	2,058,477
Income tax	6	(206,898)	(642,388)
Profit for the year from continuing operations		858,555	1,416,089
Discontinued operation			
Profit for the year from discontinued operation	32	68,272	9,662
Profit for the year		926,827	1,425,751
Attributable to:			
Equity holders of the Company		798,702	1,106,804
Non-controlling interests		128,125	318,947
Profit for the year		926,827	1,425,751

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Restated)* *(Note)* RMB'000
Earnings per share (RMB)	10		
Basic earnings per share			
From continuing operations		**0.68**	1.58
From discontinued operation		**0.09**	0.01
		0.77	1.59
Diluted earnings per share			
From continuing operations		**0.67**	1.40
From discontinued operation		**0.09**	0.01
		0.76	1.41

* See note 32.

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

The notes on pages 113 to 230 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 27(b)(ii).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Profit for the year		**926,827**	1,425,751
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Item that will not be reclassified to profit or loss:			
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)		**(176,404)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences		**(203,218)**	406,125
Share of other comprehensive income of associates		**(84,124)**	(1,900)
		(287,342)	404,225
Other comprehensive income for the year		**(463,746)**	404,225
Total comprehensive income for the year		**463,081**	1,829,976
Attributable to:			
Equity holders of the Company		**334,956**	1,511,029
Non-controlling interests		**128,125**	318,947
Total comprehensive income for the year		**463,081**	1,829,976

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

The notes on pages 113 to 230 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2018

(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Non-current assets			
Investment property	11	2,877,838	2,744,745
Other property, plant and equipment	11	2,074,898	1,232,586
Interests in leasehold land held for own use	11	1,483,911	579,654
		6,436,647	4,556,985
Intangible assets	12	6,273	1,597
Goodwill	13	570	570
Interests in associates	15	4,919,831	2,638,854
Interests in joint ventures	16	287,330	11,222
Other financial assets	17	1,437,525	599,711
Finance lease receivables	18	230,870	–
Trade and other receivables	21	2,476	–
Deferred tax assets	26(b)	191,012	164,096
		13,512,534	7,973,035
Current assets			
Inventories and other contract costs	19	7,055,723	8,237,853
Finance lease receivables	18	65,342	–
Trade and other receivables	21	1,222,255	365,154
Cash at bank and on hand	22	3,222,953	6,927,464
		11,566,273	15,530,471
Assets of disposal groups classified as held for sale	32	–	242,010
		11,566,273	15,772,481
Current liabilities			
Trade and other payables	23	2,657,446	3,074,121
Contract liabilities	20	143,949	–
Bank and other loans	24	4,979,886	3,989,954
Related party loans	24	2,037,700	1,385,700
Current taxation	26(a)	748,884	722,847
		10,567,865	9,172,622
Liabilities directly associated with assets of disposal groups classified as held for sale	32	–	43,878
		10,567,865	9,216,500
Net current assets		998,408	6,555,981
Total assets less current liabilities		14,510,942	14,529,016

Consolidated Statement of Financial Position

At 31 December 2018

(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Non-current liabilities			
Bank and other loans	24	**1,410,771**	1,019,751
Deferred tax liabilities	26(b)	**194,514**	196,324
		1,605,285	1,216,075
NET ASSETS		**12,905,657**	13,312,941
CAPITAL AND RESERVES			
Share capital	27(c)	**67,337**	67,337
Perpetual capital securities	27(d)	**5,294,665**	5,293,313
Reserves		**4,104,240**	4,311,677
Total equity attributable to equity holders of the Company		**9,466,242**	9,672,327
Non-controlling interests		**3,439,415**	3,640,614
TOTAL EQUITY		**12,905,657**	13,312,941

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

Approved and authorised for issue by the board of directors on 29 March 2019.

He Haibin
Director

Xie Mei
Director

The notes on pages 113 to 230 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

(Expressed in Renminbi)

	Attributable to equity holders of the Company												
	Share capital RMB'000 *(Note 27(c))*	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000 *(Note 27(d))*	PRC statutory reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	67,337	36,884	147,711	53,277	-	381,215	-	(441,281)	30,123	2,751,682	3,026,948	3,739,754	6,766,702
Changes in equity for 2017:													
Profit for the year	-	-	-	-	51,114	-	-	-	-	1,055,690	1,106,804	318,947	1,425,751
Other comprehensive income	-	-	-	-	-	-	-	404,225	-	-	404,225	-	404,225
Total comprehensive income	-	-	-	-	51,114	-	-	404,225	-	1,055,690	1,511,029	318,947	1,829,976
Transfer to PRC statutory reserves	-	-	-	-	-	81,475	-	-	-	(81,475)	-	-	-
Dividends approved in respect of the previous year *(note 27(b)(ii))*	-	-	-	-	-	-	-	-	-	(107,849)	(107,849)	(418,087)	(525,936)
Issuance of perpetual capital securities *(note 27(d))*	-	-	-	-	5,242,199	-	-	-	-	-	5,242,199	-	5,242,199
Disposal of subsidiaries	-	-	-	-	-	(13,473)	-	-	(4,059)	17,532	-	-	-
Balance at 31 December 2017 *(Note)*	67,337	36,884	147,711	53,277	5,293,313	449,217	-	(37,056)	26,064	3,635,580	9,672,327	3,640,614	13,312,941
Impact on initial application of HKFRS 15	-	-	-	-	-	-	-	-	-	4,732	4,732	1,422	6,154
Adjusted balance at 1 January 2018	67,337	36,884	147,711	53,277	5,293,313	449,217	-	(37,056)	26,064	3,640,312	9,677,059	3,642,036	13,319,095
Changes in equity for 2018:													
Profit for the year	-	-	-	-	228,694	-	-	-	-	570,008	798,702	128,125	926,827
Other comprehensive income	-	-	-	-	-	-	(176,404)	(287,342)	-	-	(463,746)	-	(463,746)
Total comprehensive income	-	-	-	-	228,694	-	(176,404)	(287,342)	-	570,008	334,956	128,125	463,081
Transfer to PRC statutory reserves	-	-	-	-	-	20,346	-	-	-	(20,346)	-	-	-
Transfer to retained profits upon disposal of financial assets measured at FVOCI	-	-	-	-	-	-	161,769	-	-	(161,769)	-	-	-
Dividends approved in respect of the previous year *(note 27(b)(ii))*	-	-	-	-	-	-	-	-	-	(318,431)	(318,431)	(310,854)	(629,285)
Distribution to the holders of perpetual capital securities	-	-	-	-	(227,342)	-	-	-	-	-	(227,342)	-	(227,342)
Disposal of subsidiaries	-	-	-	(7)	-	(6,829)	-	-	-	6,836	-	(1,892)	(1,892)
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(18,000)	(18,000)
Balance at 31 December 2018	67,337	36,884	147,711	53,270	5,294,665	462,734	(14,635)	(324,398)	26,064	3,716,610	9,466,242	3,439,415	12,905,657

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

The notes on pages 113 to 230 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018

(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Operating activities			
Cash (used in)/generated from operations	22(b)	(468,843)	2,608,526
Tax paid		(227,430)	(650,686)
Interest paid		(190,128)	(240,532)
Net cash (used in)/generated from operating activities		(886,401)	1,717,308
Investing activities			
Payment for purchase of property, plant and equipment and intangible assets		(286,760)	(580,758)
Proceeds from disposals of property, plant and equipment and intangible assets		54,863	6,967
Payment for purchase of other financial assets		(2,358,815)	(760,456)
Net cash flow from disposals of subsidiaries	33	80,541	651,623
Payment for acquisition of an associate		(1,588,394)	–
Increase in deposits with banks with maturity of more than three months		(716,517)	–
Dividends received from associates		18,940	492,693
Interest received		93,529	32,792
Redemption of other financial assets		440,496	1,165,006
Net cash (used in)/generated from investing activities		(4,262,117)	1,007,867

Consolidated Cash Flow Statement

For the year ended 31 December 2018

(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Financing activities			
Proceeds from loans	22(c)	4,642,039	3,880,667
Repayment of loans	22(c)	(3,353,646)	(6,246,307)
Increase in pledged deposits		(754,950)	–
Issuance of perpetual capital securities		–	5,242,199
Dividend paid to non-controlling interests		(100,228)	(317,859)
Distribution to the holders of perpetual capital security		(227,342)	–
Dividend paid to shareholders of the Company		(318,431)	(107,849)
Net cash (used in)/generated from financing activities		(112,558)	2,450,851
Net (decrease)/increase in cash and cash equivalents		(5,261,076)	5,176,026
Cash and cash equivalents at 1 January		6,898,256	2,056,017
Cash and cash equivalents included in assets and liabilities of disposal groups classified as held for sale	32	–	(46,792)
Effect of foreign exchange rate changes		107,016	(286,995)
Cash and cash equivalents at 31 December	22(a)	1,744,196	6,898,256

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

The notes on pages 113 to 230 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that other investments in equity securities are stated at their fair value as explained in the accounting policies.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(aa)).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

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

(i) HKFRS 9, *Financial instruments*

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

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

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

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

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

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Therefore, comparative information continues to be reported under HKAS 39. There is no impact to retained earnings and reserves at 1 January 2018 upon the transition to HKFRS 9.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

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

a. Classification of financial assets and financial liabilities

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

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

	HKAS 39 carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	**HKFRS 9 carrying amount at 1 January 2018 RMB'000**
Financial assets carried at FVPL			
Unlisted equity securities not held for trading *(note)*	–	599,711	**599,711**
Financial assets classified as available-for-sale under HKAS 39 *(note)*	599,711	(599,711)	–

Note: Under HKAS 39, unlisted equity securities not held for trading were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

a. Classification of financial assets and financial liabilities *(continued)*

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

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

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

b. Credit losses

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

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

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

– lease receivables; and

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

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

The Group has concluded that there would be no significant impact for the initial application of the ECL model.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

c. Transition

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

– Information relating to comparative periods has not been restated. No differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

(ii) HKFRS 15, Revenue from contracts with customers

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

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

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on retained earnings and non-controlling interests at 1 January 2018:

	RMB'000
Net increase in retained earnings at 1 January 2018	
Capitalisation of sales commissions	4,732
Net increase in non-controlling interests at 1 January 2018	
Capitalisation of sales commissions	1,422

The related tax impact of transition to HKFRS 15 on opening balances as at 1 January 2018 was not significant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

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

a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

a. Timing of revenue recognition *(continued)*

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods, ticket sales from theme parks and construction contracts. However, the timing of revenue for sales of properties is affected as follows:

- Sales of properties: the Group's property development activities are mainly carried out in the PRC. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment in which the property development activities are taken place, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement, the completion of the properties and delivery of the properties to customers, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the property is delivered to the customers, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefit of the property.

  This change in accounting policy had no material impact on opening balances as at 1 January 2018. However, in future periods it may have a material impact, depending on the timing of completion of the Group's property development projects.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

b. Significant financing component

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

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

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on the completion of the properties.

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

The Group considers, at the contract inception, that the period between when the entity transfers a property to a customer and when the customer pays for that property is less than one year, or the financing component of a specific contract is not significant. As a practical expedient, the Group needs not adjust the amount of consideration for the effects of a significant financing component. Therefore, this change in accounting policy had no significant impact on opening balances as at 1 January 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

c. Sales commissions payable related to property sales contracts

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

As a result of this change in accounting policy, the Group has made adjustments which increased interests in associates, interests in a joint venture and inventories and other contract costs by RMB3,256,000, RMB2,074,000 and RMB824,000 respectively, and increased retained earnings and non-controlling interests by RMB4,732,000 and RMB1,422,000 respectively at 1 January 2018.

d. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 1(x)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see note 1(n)).

To reflect these changes in presentation, receipts in advance amounting to RMB371,815,000, which was previously included in trade and other payables are now separately classified as contract liabilities at 1 January 2018, as a result of the adoption of HKFRS 15.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

e. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018.

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKASs 18 and 11 (B) RMB'000	Difference: estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
Line items in the consolidated statement of profit or loss for year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Continuing operations			
Distribution costs	(124,736)	(123,912)	(824)
Profit from operations	**592,276**	**593,100**	**(824)**
Share of profits less losses of associates	418,994	419,883	(889)
Share of profit of joint ventures	229,244	231,318	(2,074)
Profit before taxation	**1,065,453**	**1,069,240**	**(3,787)**
Profit for the year from continuing operations	**858,555**	**862,342**	**(3,787)**
Profit for the year	**926,827**	**930,614**	**(3,787)**
Profit attributable to equity holders of the Company	798,702	801,067	(2,365)
Profit attributable to non-controlling interests	128,125	129,547	(1,422)
Earnings per share (RMB)			
Basic earnings per share:			
From continuing operations	0.68	0.68	–
From discontinued operations	0.09	0.09	–
Basic earnings per share	**0.77**	**0.77**	**–**
Diluted earnings per share:			
From continuing operations	0.67	0.67	–
From discontinued operations	0.09	0.09	–
Diluted earnings per share	**0.76**	**0.76**	**–**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

e. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018. *(continued)*

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKASs 18 and 11 (B) RMB'000	Difference: estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Interests in associates	4,919,831	4,917,464	2,367
Non-current assets	**13,512,534**	**13,510,167**	**2,367**
Trade and other payables	2,657,446	2,801,395	(143,949)
Contract liabilities	143,949	–	143,949
Total assets less current liabilities	**14,510,942**	**14,508,575**	**2,367**
Net assets	**12,905,657**	**12,903,290**	**2,367**
Reserves	4,104,240	4,101,873	2,367
Total equity attributable to equity holders of the Company	**9,466,242**	**9,463,875**	**2,367**
Total equity	**12,905,657**	**12,903,290**	**2,367**
Line items in the reconciliation of profit before taxation to cash used in operations for year ended 31 December 2018 (note 22(b)) impacted by the adoption of HKFRS 15:			
Profit before taxation	1,065,453	1,069,240	(3,787)
Share of profits less losses of associates	(418,994)	(419,883)	889
Share of profit of joint ventures	(229,244)	(231,318)	2,074
Increase in inventories and other contract costs	(727,584)	(728,408)	824
Increase in trade and other payables	282,021	54,155	227,866
Decrease in contract liabilities	(227,866)	–	(227,866)

The significant differences arise as a result of the changes in accounting policies described above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

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

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any significant impact on the financial position and the financial result of the Group.

(d) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(q), (r), (s) or (t) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(aa)).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(aa)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (l)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in equity securities *(continued)*

(A) Policy applicable from 1 January 2018 *(continued)*

Investments other than equity investments *(continued)*

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(x)(viii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in equity securities *(continued)*

(B) Policy applicable prior to 1 January 2018

Investments which did not fall into securities held for trading or held-to-maturity securities were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 1(x)(viii) and 1(x)(ix), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 1(l)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in note 1(x)(v).

Depreciation is calculated to write off the costs of investment properties, less its estimated residual value of 0% to 5%, using the straight-line method over their estimated useful lives of 18 to 50 years.

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(k)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(z)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Other property, plant and equipment *(continued)*

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful life	Residual value %
Buildings held for own use	20 to 32 years	0% to 5%
Plant and machinery	5 to 10 years	0% to 5%
Motor vehicles	3 to 5 years	0% to 5%
Other property, plant and equipment	2 to 10 years	0% to 5%
Interests in leasehold land held for own use	The shorter of the lease term and 50 years	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful life	Residual value %
Software	5 to 10 years	0%
Copyright	2 years	0%

Both the period and method of amortisation are reviewed annually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets (other than goodwill) *(continued)*

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as held for development for sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments, and lease receivables

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

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

– lease receivables.

Financial assets measured at fair value, including equity securities measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– lease receivables: discount rate used in the measurement of the lease receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

(A) Policy applicable from 1 January 2018 *(continued)*

Measurement of ECLs *(continued)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

(A) Policy applicable from 1 January 2018 *(continued)*

Significant increases in credit risk *(continued)*

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

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

(A) Policy applicable from 1 January 2018 *(continued)*

Basis of calculation of interest income

Interest income recognised in accordance with note 1(x)(ix) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

(A) Policy applicable from 1 January 2018 *(continued)*

Write-off policy

The gross carrying amount of a financial asset, lease receivables is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

– significant financial difficulties of the debtor;

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

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

(B) Policy applicable prior to 1 January 2018 *(continued)*

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments, and lease receivables (continued)

(B) Policy applicable prior to 1 January 2018 *(continued)*

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value,less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Credit losses from financial guarantees issued (continued)

(A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories and other contract costs

(i) Comprehensive development business

Inventories of comprehensive development business are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property held for future development and under development for sale

The cost of properties held for future development and under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(z)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories and other contract costs *(continued)*

(i) Comprehensive development business (continued)

– Completed property held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(m)(i)).

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories and other contract costs *(continued)*

(ii) Other contract costs (continued)

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

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(x).

(n) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(o)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(x)).

Policy prior to 1 January 2018

In the comparative period, amounts received before the delivery of the properties were presented as “receipts in advance” under “trade and other payables”. These balances have been reclassified on 1 January 2018 as shown in note 20 (see note 1(c)(ii)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(l)(i)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(t) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(s) Perpetual capital securities

Perpetual capital securities are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any distributions are discretionary. Distributions on perpetual capital securities classified as equity are recognised as distributions within equity.

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(z)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Income tax *(continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Provisions and contingent liabilities *(continued)*

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

In the comparative period, revenue from sales of goods was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time when the customer had accepted the goods and the related risks and rewards of ownership.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(ii) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to the customers, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(n)).

For contracts where the period between the payment by the customer and the transfer of the promised property exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component. If the advance payments by the customer are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of delivery. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 1(z).

In the comparative period, revenue from sales of properties was recognised upon the later of the signing of the sale and purchase agreement, the completion of the properties and delivery of the properties to customers which was taken to be the point in time when the risks and rewards of ownership of the property had passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under trade and other payables and no interest expense was accrued on payments received in advance.

(iii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(iii) Construction contracts (continued)

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 1(w)(ii).

Revenue for construction contracts was recognised on a similar basis in the comparative period under HKAS 11.

(iv) Sale of tickets of theme park

Revenue from the sale of tickets of theme park is recognised when the services are rendered and the tickets proceeds have been received. Revenue from the sale of tickets excludes sale related tax and is after deduction of any discounts.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vi) Hotel revenue

Hotel revenue is recognised when the services have been rendered.

(vii) Finance lease income

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(viii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(ix) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

(x) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Translation of foreign currencies *(continued)*

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Non-current assets held for sale and discontinued operations *(continued)*

(i) Non-current assets held for sale (continued)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below:

(a) ECLs for trade and other receivables and lease receivables

As explained in note 1(l)(i), The Group recognises a loss allowance for ECLs for trade and other receivables and lease receivables. ECLs are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial condition of the debtors and the general economic conditions were to deteriorate, actual write-offs would be higher than estimated.

(b) Depreciation and impairment loss for fixed assets

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The Group makes impairment provision for fixed assets taking into account the Group's estimates of the recoverable amount from such assets. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates. Uncertainty exists in these estimations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(c) Provision for completed properties held for sale and properties held for future development and under development for sale

The Group's completed properties held for sale and properties held for future development and under development for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for completed properties held for sale and properties held for future development and under development for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) Land Appreciation Tax ("LAT")

As explained in note 6(a), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgement is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated as the end of each reporting period. Any increase or decrease in actual outcomes/estimates would affect income statement in the period in which such determination is made.

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on gross floor area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are comprehensive development, investment and fund business, finance lease and paper packaging.

(i) Disaggregation of revenue

Revenue represents the sales value of goods or services supplied to customers (net of value-added tax and business tax), including the sales of properties, rental income from investment properties, ticket sales from theme park, finance lease income and sales of paper cartons and products.

	Continuing operations		Discontinued operation		Total	
	2018	2017 (Note)	2018	2017 (Note)	2018	2017 (Note)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15						
Disaggregated by business lines						
– Sale of properties	814,226	3,745,508	–	–	814,226	3,745,508
– Sale of tickets of theme park	304,185	244,639	–	–	304,185	244,639
– Construction contracts	151,327	–	–	–	151,327	–
– Hotel revenue	90,533	–	–	–	90,533	–
– Consulting services	46,384	1,463	–	–	46,384	1,463
– Paper packaging business	–	–	400,258	795,332	400,258	795,332
	1,406,655	3,991,610	400,258	795,332	1,806,913	4,786,942
Revenue from other sources						
– Rental income from investment properties	164,850	117,852	–	–	164,850	117,852
– Finance lease income	13,189	–	–	–	13,189	–
	1,584,694	4,109,462	400,258	795,332	1,984,952	4,904,794

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated in this respect and was prepared in accordance with HKAS 18 and HKAS 11 (see note 1(c)(ii)).

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(b)(iv) respectively.

The Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenue in 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for properties such that the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is Nil.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the most senior executive management of the Group for the purposes of resource allocation and performance assessment, the Group has the following four reportable segments.

- Comprehensive development business: this segment engaged in the development and operation of tourism theme park, developed and sold residential properties, construction contract, development and management of properties, property investment.

- Investment and fund business: this segment engaged in the investment in new urbanisation industrial ecosphere, such as domestic and overseas direct investments, industrial fund, and education.

- Finance lease business: this segment engaged in the finance lease business.

- Paper packaging business (discontinued): this segment engaged in the manufacture and sale of paper cartons and products.

The operating results of paper packaging business for the year ended 31 December 2018 are presented as discontinued operation in the consolidated financial statements. Further details of the discontinued operation are set out in note 32.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

The measure used for reporting segment result is "net profit" after taxation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

	Continuing operations						Paper packaging business (discontinued)		Total	
	Comprehensive development business		Investment and fund business		Finance lease business					
	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)
Revenue from contracts with customers within the scope of HKFRS 15										
Disaggregated by timing of revenue recognition										
Point in time	1,255,328	3,991,610	-	-	-	-	400,258	795,332	1,655,586	4,786,942
Over time	151,327	-	-	-	-	-	-	-	151,327	-
	1,406,655	3,991,610	-	-	-	-	400,258	795,332	1,806,913	4,786,942
Revenue from other sources	164,850	117,852	-	-	13,189	-	-	-	178,039	117,852
Revenue from external customers	1,571,505	4,109,462	-	-	13,189	-	400,258	795,332	1,984,952	4,904,794
Reportable segment revenue	1,571,505	4,109,462	-	-	13,189	-	400,258	795,332	1,984,952	4,904,794
Reportable segment profit/(loss) for the year	607,395	1,555,693	50,789	(43,950)	4,375	-	68,272	9,662	730,831	1,521,405

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

	Continuing operations						Paper packaging business (discontinued)		Total	
	Comprehensive development business		Investment and fund business		Finance lease business					
	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)
Interest income										
– bank deposits	10,588	22,857	144	21	42	–	1,207	9,997	11,981	32,875
– amount due from associates	13,333	–	–	–	–	–	–	–	13,333	–
Interest expense	(82,417)	(163,261)	(90,135)	(24,681)	(2,509)	–	–	(3,018)	(175,061)	(190,960)
Depreciation and amortisation for the year	(299,385)	(203,852)	–	–	–	–	(3,549)	(29,112)	(302,934)	(232,964)
Share of profits less losses of associates	378,491	95,889	40,503	8,171	–	–	–	–	418,994	104,060
Share of profit/(loss) of joint ventures	229,244	(8,322)	–	–	–	–	–	–	229,244	(8,322)
Reportable segment assets	18,353,661	17,332,385	2,898,604	995,239	307,872	–	45,844	630,783	21,605,981	18,958,407
Additions to non-current segment assets during the year	2,265,193	530,241	–	–	–	–	6,314	54,436	2,271,507	584,677
Reportable segment liabilities	6,784,503	6,415,544	2,615,678	626,947	38,610	–	10,234	107,350	9,449,025	7,149,841
Interests in associates	3,468,824	2,253,142	1,451,007	385,712	–	–	–	–	4,919,831	2,638,854
Interests in joint ventures	287,330	11,222	–	–	–	–	–	–	287,330	11,222

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated in this respect and was prepared in accordance with HKAS 18 and HKAS 11 (see note 1(c)(ii)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment profit or loss

	2018 RMB'000	2017 RMB'000 (Restated)
Reportable segment profit derived from group's external customers	730,831	1,521,405
Unallocated head office and corporate gains/(expenses)	195,996	(95,654)
Consolidated profit	926,827	1,425,751

(iii) Reconciliations of reportable segment assets and liabilities

	2018 RMB'000	2017 RMB'000 (Restated)
Assets		
Reportable segment assets	21,605,981	18,958,407
Elimination of inter-segment receivables	–	(19,599)
	21,605,981	18,938,808
Unallocated head office and corporate assets	3,472,826	4,806,708
Consolidated total assets	25,078,807	23,745,516

	2018 RMB'000	2017 RMB'000 (Restated)
Liabilities		
Reportable segment liabilities	9,449,025	7,149,841
Elimination of inter-segment payables	–	(19,599)
	9,449,025	7,130,242
Unallocated head office and corporate liabilities	2,724,125	3,302,333
Consolidated total liabilities	12,173,150	10,432,575

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iv) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, other property, plant and equipment, interests in leasehold land held for own use under operating leases, intangible assets, goodwill and interests in associates and joint ventures and other financial assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods and properties sold. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, interests in leasehold land held for own use under operating leases and investment properties, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and other financial assets, and the location of operations, in the case of interest in associates and joint ventures.

	Revenues from external customers		Specified non-current assets	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Mainland China	**1,984,952**	4,902,198	**12,851,575**	7,586,875
Hong Kong	**–**	2,596	**236,601**	229,103
	1,984,952	4,904,794	**13,088,176**	7,815,978

4 OTHER INCOME AND NET GAINS

(a) Other income

	Continuing operations		Discontinued operation		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Interest income on financial assets measured at amortised cost:						
– Bank deposits	**100,341**	24,390	**1,207**	8,485	**101,548**	32,875
– Amount due from associates	**13,333**	–	**–**	–	**13,333**	–
Total interest income	**113,674**	24,390	**1,207**	8,485	**114,881**	32,875
Government grants	**306**	1,912	**2**	1,592	**308**	3,504
Forfeiture income on deposit on pre-sale of properties	**10,277**	129	**–**	–	**10,277**	129
	124,257	26,431	**1,209**	10,077	**125,466**	36,508

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

4 OTHER INCOME AND NET GAINS *(continued)*

(b) Other net gains

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Gain on disposal of subsidiaries *(note 33)*	**55,650**	712,933	**62,757**	17,997	**118,407**	730,930
Gain on previously held interest in a subsidiary upon loss of control *(note 33)*	**40,101**	416,238	**–**	–	**40,101**	416,238
Net realised and unrealised gains on unlisted equity securities	**116,474**	986	**–**	–	**116,474**	986
Net gain/(loss) on disposal of property, plant and equipment	**1,641**	(724)	**(636)**	1,445	**1,005**	721
Net exchange gain/(loss)	**162,016**	(43,855)	**(554)**	(4,848)	**161,462**	(48,703)
Loss on transfer of available-for-sale securities to interest in an associate	**–**	(24,121)	**–**	–	**–**	(24,121)
Others	**(6,952)**	(3,199)	**85**	349	**(6,867)**	(2,850)
	368,930	1,058,258	**61,652**	14,943	**430,582**	1,073,201

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Interest on bank and other loans	**161,411**	161,411	**–**	3,018	**161,411**	164,429
Interest on related party loans	**92,093**	125,768	**–**	–	**92,093**	125,768
Total interest expense	**253,504**	287,179	**–**	3,018	**253,504**	290,197
Less: amount capitalised*	**(78,443)**	(99,237)	**–**	–	**(78,443)**	(99,237)
	175,061	187,942	**–**	3,018	**175,061**	190,960

* The borrowing costs have been capitalised at a weighted average rate of 3.81% per annum (2017: 3.63%)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

5 PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs

	Continuing operations		Discontinued operation		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Contributions to defined contribution retirement plan	20,323	10,536	2,611	6,375	22,934	16,911
Salaries, wages and other benefits	274,771	169,149	53,702	106,232	328,473	275,381
	295,094	179,685	56,313	112,607	351,407	292,292

(c) Other items

	Continuing operations		Discontinued operation		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Amortisation of intangible assets	1,027	340	16	444	1,043	784
Depreciation *(note 11(a))*						
– investment properties	98,942	79,201	–	–	98,942	79,201
– interests in leasehold land held for own use	37,582	18,341	117	1,967	37,699	20,308
– other assets	161,834	105,970	3,416	26,701	165,250	132,671
	298,358	203,512	3,533	28,668	301,891	232,180
(Reversal of impairment losses)/ Impairment losses						
– trade and other receivables	(3,082)	954	(71)	2,299	(3,153)	3,253
– finance lease receivables	3,541	–	–	–	3,541	–
– property, plant and machinery *(note 11(a))*	–	–	–	379	–	379
	459	954	(71)	2,678	388	3,632

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(Expressed in Renminbi)

5 PROFIT BEFORE TAXATION *(continued)*

(c) Other items *(continued)*

	2018 RMB'000	2017 RMB'000
Operating lease charges in respect of properties	24,748	19,941
Auditors' remuneration		
– audit services	2,410	1,859
– other services	1,850	442
	4,260	2,301
Rentals receivable from investment properties less direct outgoings of RMB11,773,000 (2017: RMB12,215,000)	(153,076)	(103,729)
Cost of inventories# *(note 19(b))*	1,159,375	3,099,074

\# Cost of inventories includes RMB257,000,000(2017: RMB228,489,000) relating to staff costs, depreciation and amortisation expenses, and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

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

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6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Continuing operations		Discontinued operation		Total	
	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax						
Provision for corporate income tax ("CIT") for the year	80,202	365,456	19,302	16,992	99,504	382,448
(Over)/under-provision in respect of prior years	(25,594)	58,694	(608)	549	(26,202)	59,243
	54,608	424,150	18,694	17,541	73,302	441,691
PRC LAT	182,050	293,617	–	–	182,050	293,617
	236,658	717,767	18,694	17,541	255,352	735,308
Deferred tax						
Origination and reversal of temporary differences	(29,760)	(75,379)	789	4,360	(28,971)	(71,019)
	206,898	642,388	19,483	21,901	226,381	664,289

(i) CIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the year (2017: Nil).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2018 and 2017.

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC at 25% (2017: 25%).

Additionally, a 10% withholding tax is levied for income derived from or accruing in PRC. However, as for the dividend income, due to the tax treaty between Hong Kong Special Administrative Region and PRC for avoidance of double taxation and prevention of tax evasion, dividends declared from PRC subsidiaries, associates and joint ventures to Hong Kong holding companies of the Group are subject to 5% withholding income tax since 1 January 2008 and onwards.

Notes to the Consolidated Financial Statements

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(Expressed in Renminbi)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Taxation in the consolidated statement of profit or loss represents: *(continued)*

(ii) PRC LAT

PRC LAT 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 lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax. The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Continuing operations		Discontinued operation		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Profit before taxation	**1,065,453**	2,058,477	**87,755**	31,563	**1,153,208**	2,090,040
Notional tax on profit before taxation, calculated at the PRC CIT rate of 25%	**266,363**	514,619	**21,939**	7,891	**288,302**	522,510
Tax effect of tax rate difference	**786**	(38,197)	**(5,926)**	(532)	**(5,140)**	(38,729)
Tax effect of non-deductible expenses	**63,099**	15,116	**4,184**	9,845	**67,283**	24,961
Tax effect of non-taxable income	**(260,585)**	(119,957)	**(106)**	(278)	**(260,691)**	(120,235)
Tax effect of temporary difference not recognised	**27,064**	69,184	**–**	6,940	**27,064**	76,124
Tax effect of temporary difference not previously recognised	**(772)**	(77,284)	**–**	(2,514)	**(772)**	(79,798)
(Over)/under-provision in respect of prior years	**(25,594)**	58,694	**(608)**	549	**(26,202)**	59,243
	70,361	422,175	**19,483**	21,901	**89,844**	444,076
PRC LAT	**182,050**	293,617	**–**	–	**182,050**	293,617
Tax effect of PRC LAT	**(45,513)**	(73,404)	**–**	–	**(45,513)**	(73,404)
	136,537	220,213	**–**	–	**136,537**	220,213
Income tax expense	**206,898**	642,388	**19,483**	21,901	**226,381**	664,289

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7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2018 Total RMB'000
Chairman					
He Haibin *(note (i))*	–	–	–	–	–
Executive directors					
Xie Mei	–	1,296	1,195	168	2,659
Lin Kaihua	–	999	942	149	2,090
Non-executive director					
Zhang Jing *(note (iii))*	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	142	–	–	–	142
Lam Sing Kwong Simon	142	–	–	–	142
Lu Gong	152	–	–	–	152
	436	2,295	2,137	317	5,185

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7 DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2017 Total RMB'000
Chairman					
He Haibin *(note (i))*	–	–	–	–	–
Yao Jun *(note (ii))*	–	–	–	–	–
Executive directors					
Xie Mei	–	651	1,749	142	2,542
Lin Kaihua	–	506	1,280	117	1,903
Non-executive directors					
Zhang Jing *(note (iii))*	–	–	–	–	–
Zhou Ping *(note (iv))*	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	130	–	–	–	130
Lam Sing Kwong Simon	130	–	–	–	130
Lu Gong	156	–	–	–	156
	416	1,157	3,029	259	4,861

Notes: (i) Appointed on 4 May 2017.

(ii) Resigned on 4 May 2017.

(iii) Appointed on 30 March 2017.

(iv) Resigned on 30 March 2017.

Neither the chairman nor any of the directors waived any emoluments during the year (2017: Nil).

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8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals in the Group during the year included 1 (2017: 1) directors whose emolument is reflected in the analysis presented in note 7 to the consolidated financial statements above. The emoluments of all the five highest paid individuals are set out below:

	2018 RMB'000	2017 RMB'000
Salaries and other emoluments	3,778	3,279
Discretionary bonuses	12,157	8,009
Retirement scheme contributions	524	557
	16,459	11,845

The emoluments of the 5 (2017: 5) individuals with the highest emoluments are within the following bands:

	2018 Number of individuals	2017 Number of individuals
HK$2,000,001 – HK$2,500,000 (RMB1,692,821 – RMB2,116,025)	–	1
HK$2,500,001 – HK$3,000,000 (RMB2,116,026 – RMB2,539,230)	–	3
HK$3,000,001 – HK$3,500,000 (RMB2,539,231 – RMB2,962,435)	2	1
HK$3,500,001 – HK$4,000,000 (RMB2,962,436 – RMB3,385,640)	1	–
HK$4,000,001 – HK$4,500,000 (RMB3,385,641 – RMB3,808,845)	1	–
HK$4,500,001 – HK$5,000,000 (RMB3,808,846 – RMB4,232,050)	–	–
HK$5,000,001 – HK$5,500,000 (RMB4,232,051 – RMB4,655,255)	1	–

No individual receivable any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2017: Nil). No individual waived or agreed to waive any emoluments during the year (2017: Nil).

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9 OTHER COMPREHENSIVE INCOME

	2018 RMB'000	2017 RMB'000
Exchange differences		
– on translation of financial statements of overseas subsidiaries	(203,218)	354,242
– reclassified to profit or loss upon disposal of a subsidiaries	–	51,883
	(203,218)	406,125
Share of other comprehensive income of associates	(84,124)	(1,900)
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	(176,404)	–
Other comprehensive income	(463,746)	404,225

There is no tax effect for each of the other comprehensive income item.

10 EARNINGS PER SHARE

(a) Basic earnings per share

(i) Profit attributable to ordinary shareholders of the Company (basic)

	Continuing operations		Discontinued operation		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Profit for the year, attributable to equity holders of the Company	730,430	1,097,142	68,272	9,662	798,702	1,106,804
Less: Profit attributable to the holders of perpetual capital securities *(note 27(d))*	(228,694)	(51,114)	–	–	(228,694)	(51,114)
Profit attributable to the holders of convertible preference shares *(note 27(b))*	(15,576)	(17,259)	–	–	(15,576)	(17,259)
Profit attributable to ordinary shareholders (basic)	486,160	1,028,769	68,272	9,662	554,432	1,038,431

(ii) Weighted average number of ordinary shares

	2018 '000	2017 '000
Issued ordinary shares at 1 January *(note 27(c))*	652,366	652,366
Effect of conversion of convertible preference shares *(note 27(c))*	65,753	–
Issued ordinary shares at 31 December *(note 27(c))*	718,119	652,366

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10 EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

(i) Profit attributable to ordinary shareholders of the Company (diluted)

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit attributable to ordinary shareholders (basic)	**486,160**	1,028,769	**68,272**	9,662	**554,432**	1,038,431
Preference shares dividends saving on conversion of convertible	**15,576**	17,259	**–**	–	**15,576**	17,259
Profit attributable to ordinary shareholders (diluted)	**501,736**	1,046,028	**68,272**	9,662	**570,008**	1,055,690

(ii) Weighted average number of ordinary shares (diluted)

	2018	2017
	'000	'000
Weighted average number of ordinary shares at 31 December	**718,119**	652,366
Effect of dilutive potential ordinary shares arising from convertible preference shares *(note 27(c))*	**30,247**	96,000
Weighted average number of ordinary shares (diluted) at 31 December	**748,366**	748,366

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE

(a) Reconciliation of carrying amount

	Buildings held for own use	Plant and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Sub-total	Investment property	Investment property under development	Sub-total	Interests in leasehold land held for own use	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:											
At 1 January 2017	1,133,124	775,148	40,709	160,388	108,946	2,218,315	1,735,786	821,096	2,556,882	748,366	5,523,563
Exchange adjustments	–	–	–	(15)	–	(15)	(16,943)	–	(16,943)	–	(16,958)
Additions	9,257	988	1,594	14,434	248,682	274,955	–	309,799	309,799	–	584,754
Disposals	(36)	(32,257)	(4,373)	(7,826)	–	(44,492)	–	–	–	–	(44,492)
Disposal of subsidiaries	(22,601)	(59,599)	(3,267)	(5,715)	–	(91,182)	–	–	–	(4,800)	(95,982)
Transfer from construction in progress	71,626	97,005	–	5,914	(174,545)	–	–	–	–	–	–
Transfer to investment property	(27,164)	–	–	–	(82,239)	(109,403)	947,160	(821,094)	126,066	(16,663)	–
Transfer from inventories	8,252	–	–	–	–	8,252	30,547	–	30,547	–	38,799
Transfer to assets and liabilities of disposal groups classified as held for sale	–	(52,426)	(5,662)	(7,556)	–	(65,644)	–	–	–	–	(65,644)
At 31 December 2017 and 1 January 2018	1,172,458	728,859	29,001	159,624	100,844	2,190,786	2,696,550	309,801	3,006,351	726,903	5,924,040
Exchange adjustments	-	-	-	70	-	70	11,694	-	11,694	-	11,764
Additions	2,182	17,073	2,711	67,930	78,179	168,075	19,311	89,040	108,351	2,032	278,458
Disposals	(85)	(113,822)	(8,961)	(12,494)	-	(135,362)	-	-	-	-	(135,362)
Disposal of subsidiaries	(28,462)	(43,141)	(1,471)	(3,695)	-	(76,769)	-	(22,832)	(22,832)	(28,042)	(127,643)
Transfer from construction in progress	21,977	110,067	-	41,903	(173,947)	-	-	-	-	-	-
Transfer to investment property	(129,101)	-	-	-	-	(129,101)	511,399	(296,885)	214,514	(85,413)	-
Transfer from inventories	941,134	-	-	-	-	941,134	3,791	-	3,791	1,018,307	1,963,232
At 31 December 2018	1,980,103	699,036	21,280	253,338	5,076	2,958,833	3,242,745	79,124	3,321,869	1,633,787	7,914,489

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(a) Reconciliation of carrying amount *(continued)*

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Other property, plant and equipment RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Investment property under development RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Accumulated depreciation:											
At 1 January 2017	297,369	543,693	31,041	114,434	–	986,537	179,033	–	179,033	131,335	1,296,905
Exchange adjustments	–	–	–	(12)	–	(12)	(729)	–	(729)	–	(741)
Charge for the year	47,452	64,637	3,577	17,005	–	132,671	79,201	–	79,201	20,308	232,180
Written back on disposals	(12)	(27,254)	(4,135)	(6,844)	–	(38,245)	–	–	–	–	(38,245)
Disposal of subsidiaries	(19,920)	(52,591)	(2,443)	(5,207)	–	(80,161)	–	–	–	(3,144)	(83,305)
Transfer to investment property	(2,851)	–	–	–	–	(2,851)	4,101	–	4,101	(1,250)	–
Transfer to assets and liabilities of disposal groups classified as held for sale	–	(31,134)	(4,537)	(6,054)	–	(41,725)	–	–	–	–	(41,725)
At 31 December 2017 and 1 January 2018	322,038	497,351	23,503	113,322	–	956,214	261,606	–	261,606	147,249	1,365,069
Exchange adjustments	–	–	–	10	–	10	772	–	772	–	782
Charge for the year	63,507	72,736	2,353	26,654	–	165,250	98,942	–	98,942	37,699	301,891
Written back on disposals	(31)	(94,596)	(8,456)	(11,384)	–	(114,467)	–	–	–	–	(114,467)
Disposal of subsidiaries	(20,235)	(38,080)	(820)	(2,864)	–	(61,999)	–	–	–	(7,650)	(69,649)
Transfer to investment property	(61,073)	–	–	–	–	(61,073)	77,319	5,392	82,711	(21,638)	–
Transfer to inventories	–	–	–	–	–	–	–	–	–	(5,784)	(5,784)
At 31 December 2018	304,206	437,411	16,580	125,738	–	883,935	438,639	5,392	444,031	149,876	1,477,842
Accumulated impairment losses:											
At 1 January 2017	–	4,557	–	168	–	4,725	–	–	–	–	4,725
Additions	–	379	–	–	–	379	–	–	–	–	379
Written off on disposals	–	(2,571)	–	(168)	–	(2,739)	–	–	–	–	(2,739)
Transfer to assets and liabilities of disposal groups classified as held for sale	–	(379)	–	–	–	(379)	–	–	–	–	(379)
At 31 December 2017 and 1 January 2018	–	1,986	–	–	–	1,986	–	–	–	–	1,986
Written off on disposals	–	(1,986)	–	–	–	(1,986)	–	–	–	–	(1,986)
At 31 December 2018	–	–	–	–	–	–	–	–	–	–	–
Carrying amount:											
At 31 December 2018	1,675,897	261,625	4,700	127,600	5,076	2,074,898	2,804,106	73,732	2,877,838	1,483,911	6,436,647
At 31 December 2017	850,420	229,522	5,498	46,302	100,844	1,232,586	2,434,944	309,801	2,744,745	579,654	4,556,985

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11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE *(continued)*

(a) Reconciliation of carrying amount *(continued)*

According to the Stated-owned Land Use Rights Grant Contract, leasehold land held for own use with carrying amount of RMB443,714,000 (2017: RMB525,783,000) located in the PRC of 成都天府華僑城實業有限公司 (Chengdu Tianfu OCT Industry Development Company Limited) ("Chengdu OCT") as at 31 December 2018 is non-transferable.

(b) Investment properties

The Group leases out investment properties. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated.

At 31 December 2018, none of the investment properties was pledged as security for the Group's bank loan (2017: RMB229,103,000).

(c) The analysis of carrying amount of properties is as follows:

	2018 RMB'000	2017 RMB'000
In Hong Kong		
– medium-term leases (between 10 and 50 years)	236,601	229,103
In the PRC		
– medium-term leases (between 10 and 50 years)	5,801,045	3,945,716
	6,037,646	4,174,819
Representing:		
Buildings held for own use	1,675,897	850,420
Investment property	2,804,106	2,434,944
Investment property under development	73,732	309,801
Interests in leasehold land held for own use	1,483,911	579,654
	6,037,646	4,174,819

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12 INTANGIBLE ASSETS

	Software and copyright RMB'000
Cost:	
At 1 January 2017	3,357
Additions	594
Disposals	(241)
Transfer to assets and liabilities of disposal groups classified as held for sale	(560)
At 31 December 2017 and 1 January 2018	3,150
Additions	5,827
Disposals	(164)
At 31 December 2018	8,813
Accumulated amortisation:	
At 1 January 2017	1,265
Charge for the year	784
Written back on disposals	(241)
Transfer to assets and liabilities of disposal groups classified as held for sale	(255)
At 31 December 2017 and 1 January 2018	1,553
Charge for the year	1,043
Written back on disposals	(56)
At 31 December 2018	2,540
Carrying amount:	
At 31 December 2018	6,273
At 31 December 2017	1,597

13 GOODWILL

	RMB'000
Cost:	
At 1 January 2017	267,195
Disposal of a subsidiary	(1,012)
At 31 December 2017,1 January 2018 and 31 December 2018	266,183
Accumulated impairment losses:	
At 1 January 2017	266,625
Disposal of a subsidiary	(1,012)
At 31 December 2017,1 January 2018 and 31 December 2018	265,613
Carrying amount:	
At 31 December 2018	570
At 31 December 2017	570

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14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
深圳華僑城港亞控股發展有限公司 (前稱"深圳華力包裝貿易有限公司") (Shenzhen Oversea Chinese Town Gang Ya Development Co., Ltd) *(notes (i) & (ii))* (Formerly Known As "Shenzhen Huali Packing & Trading. Co., Ltd.")	The People's Republic of China ("PRC")	Paid-up capital of HK$180,000,000	100%	–	100%	Consulting and management of corporation
中山華勵包裝有限公司 (Zhongshan Huali Packing Co., Ltd.) *(notes (i) & (ii))*	PRC	Paid-up capital of RMB1,160,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
安徽華力包裝有限公司 (Anhui Huali Packaging Co., Ltd.) *(notes (i) & (ii))*	PRC	Paid-up capital of HK$40,000,000	100%	–	100%	Development of self-owned land industrial parks and property management
深圳市華友投資有限公司 (Shenzhen Huayou Investment Co., Ltd.) ("Huayou Investment") *(notes (ii) & (iv))*	PRC	Paid-up capital of RMB3,000,000	100%	–	100%	Investment management
惠州華力包裝有限公司 (Huizhou Huali Packaging Co., Ltd.) *(notes (i) & (ii))*	PRC	Paid-up capital of HK$168,000,000	100%	–	100%	Development of self-owned land industrial parks and property management
Max Surplus Limited	British Virgin Islands ("BVI")	1 share of US$1 each	100%	100%	–	Investment holding
Forever Galaxies Limited	BVI	1 share of US$1 each	100%	100%	–	Investment holding
Fortune Crown International Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Miracle Stone Development Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Grand Signal Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Huali Holdings Company Limited	Hong Kong	1,000,000 shares	100%	–	100%	Property investment

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. *(continued)*

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
OCT Investments Limited	BVI	100 shares of US$1 each	100%	100%	–	Investment holding
Power Shiny Development Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Bantix International Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Wantex Investment Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Barwin Development Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Excel Founder Limited	Hong Kong	1 share	100%	100%	–	Investment holding
Hanmax Investment Limited	Hong Kong	100 shares	100%	–	100%	Investment holding
Great Tec Investment Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Verdant Forever Limited	BVI	1 share of US$1 each	100%	100%	–	Investment holding
Regal China Enterprises Limited	Hong Kong	1 share	100%	–	100%	Investment holding
華泰發展有限公司 Phoenix Ocean Developments Limited	BVI	1 share of US$1 each	100%	100%	–	Investment holding
華昌國際有限公司 City Legend International Limited	Hong Kong	1 share	100%	–	100%	Investment holding
成都天府華僑城萬匯商城管理有限公司 (Chengdu Tianfu OCT Wanhui Management Co., Ltd.) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城公園廣場管理有限公司 (Chengdu Tianfu OCT Park Plaza Management Co., Ltd.) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. *(continued)*

Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
成都天府華僑城創展商業區管理有限公司 (Chengdu Tianfu OCT Chuangzhan Business District Management Co., Ltd.) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城商業廣場管理有限公司 (Chengdu Tianfu OCT Commercial Plaza Management Co., Ltd.) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城大劇院管理有限公司 (Chengdu Tianfu OCT Theater Management Co., Ltd.) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Venue rental, management of entertainment project
成都天府華僑城純水岸商業管理有限公司 (Chengdu Tianfu OCT Riverside Business Management Co., Ltd.) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城都市娛樂有限公司 (Chengdu Tianfu OCT Urban Entertainment Co., Ltd.) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城酒店管理有限公司 (Chengdu Tianfu OCT Hotel Management Co., Ltd.) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Hotel management of entertainment project
Chengdu OCT *(note (iv))*	PRC	Paid-up capital of RMB1,500,000,000	51%	–	51%	Tourism and real estate development
OCT Shanghai Land *(note (iv))*	PRC	Paid-up capital of RMB3,030,000,000	50.5%	–	50.5%	Real estate development
深圳市華京投資有限公司 (Shenzhen Huajing Investment Limited) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB1,000,000	100%	–	100%	Investment holding and real estate development

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. *(continued)*

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
深圳市華僑城華鑫股權投資管理有限公司 (Shenzhen OCT Huaxin Equity Investment Management Limited) *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB10,000,000	100%	–	100%	Investment management
蘇州華力環保包裝科技有限公司 (Suzhou Huali Environmental Packaging Technology Co., Ltd.) *(notes (i) & (ii))*	PRC	Paid-up capital of US$27,800,000	100%	–	100%	Development of self-owned land industrial parks and property management
西安華僑城置地有限公司 (Xi'an OCT Real Estate Limited) ("Xi'an OCT Land") *(notes (i) & (ii))*	PRC	Paid-up capital of US$270,000,000	100%	–	100%	Property investment
華僑城融資租賃有限公司 (OCT Financial Leasing Co., Ltd.) *(notes (i) & (ii))*	PRC	Registered capital of US$200,000,000	100%	100%	–	Finance lease
華僑城（常熟）投資發展有限公司 (OCT (Changshu) Investment and Development Co., Ltd.) *(notes (ii) & (iii))*	PRC	Registered capital of RMB1,000,000,000	100%	–	100%	Tourism and real estate development
共青城華僑城華鑫一號投資合夥企業(有限合夥) Gongqingcheng OCT Huaxin No.1 Investment Partnership (Limited Partnership) *(note (ii))*	PRC	Paid-up capital of RMB5,000,000	100%	–	100%	Project and industrial investment
上海首馳企業管理有限公司 Shanghai Shouchi Enterprise Management Ltd. *(notes (ii) & (iii))*	PRC	Paid-up capital of RMB Nil	100%	–	100%	Enterprise management

Notes:

(i) These companies are wholly foreign-owned enterprises established in the PRC.

(ii) The English translation of the above subsidiaries' names is for reference only. The official name of these companies is in Chinese.

(iii) These companies are limited companies established in the PRC.

(iv) The company is a sino-foreign joint venture with limited liability established in the PRC.

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14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following table lists out the information on the subsidiaries that have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

Name	Chengdu OCT		OCT Shanghai Land	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Principal place of business	PRC		PRC	
NCI percentage	49%		49.5%	
Current assets	**1,415,795**	1,593,019	**6,325,964**	7,833,726
Non-current assets	**3,902,929**	3,669,818	**2,044,592**	62,776
Current liabilities	**(2,340,527)**	(2,254,022)	**(3,802,155)**	(2,967,777)
Non-current liabilities	**(574,000)**	(560,000)	**–**	–
NCI of subsidiaries	**–**	(1,913)	**–**	–
Net assets attributable to equity holders	**2,404,197**	2,446,902	**4,568,401**	4,928,725
Carrying amount of NCI	**1,178,056**	1,200,895	**2,261,359**	2,439,719
Revenue	**654,050**	1,397,369	**822,661**	2,645,294
Profit for the year attributable to				
– Equity holders	**88,315**	95,167	**171,437**	550,118
– NCI of subsidiaries	**(21)**	7	**–**	–
	88,294	95,174	**171,437**	550,118
Total comprehensive income	**88,294**	95,174	**171,437**	550,118
Profit allocated to NCI	**43,264**	46,639	**84,861**	272,308
Dividend distributed to NCI	**47,471**	198,032	**263,384**	220,055
Cash flows from operating activities	**(279,162)**	233,115	**(294,529)**	728,873
Cash flows from investing activities	**(55,241)**	(261,656)	**(71,759)**	(150)
Cash flows from financing activities	**(122,137)**	(287,812)	**218,184**	(711,913)

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15 INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Listed investments *(note 1)*:		
– Share of net assets	**2,640,164**	250,025
– Goodwill	**663,347**	135,688
	3,303,511	385,713
Unlisted investments:		
– Share of net assets	**1,605,940**	1,601,644
– Goodwill	**10,380**	10,380
	1,616,320	1,612,024
Amounts due from an associate *(note 2)*	**–**	641,117
	4,919,831	2,638,854

Note 1: As at 31 December 2018, the fair value of interests in associates whose shares are listed amounted to RMB2,752,905,000 (2017:RMB444,035,000).

Note 2: As at 31 December 2017, except for amounts of RMB516,025,000 which were interest bearing at 2.5% to 3% per annum, the amounts due from an associate were interest free. All the amounts due from an associate were unsecured, had no fixed term of repayment and were settled during the year.

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15 INTERESTS IN ASSOCIATES *(continued)*

Details of the Group's individually material associates at 31 December 2018 are as follows:

			Proportion of ownership interest			
Name of associate	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Capital Converge Holdings Limited ("Capital Converge")	BVI	100 shares of US$1 each	49%	49%	–	Investment holding
民生教育集團有限公司 (Minsheng Education Group Company Limited) ("Minsheng Education")	Cayman Islands	4,017,720,000 shares of US$0.00001 each	8.2634%	–	8.2634%	Education services
禹洲地產股份有限公司 (Yuzhou Property Company Limited) ("Yuzhou Property") *(note (i))*	Cayman Islands	4,800,341,335 shares of HK$0.1 each	9.98483%	–	9.98483%	Property development
易居 (中國) 企業控股有限公司 (E-House (China) Enterprise Holdings Limited) ("E-House") *(note (ii))*	Cayman Islands	1,144,600,000 shares of US$0.00001 each	4.99048%	–	4.99048%	Real estate agency service, data and consulting services, brokerage network services
成都體育產業有限責任公司 (Chengdu Sports Industry Co, Ltd) ("CSI Company")	PRC	RMB75,000,000	25%	–	49%	Stadium operation and management

Notes: (i) On 31 August 2018, the Group entered into a subscription agreement with Yuzhou Properties, pursuant to which the Group subscribed 460,489,606 ordinary shares of Yuzhou Properties, representing 9.9% of the enlarged issued share capital of Yuzhou Properties. Upon the completion of the subscription, the Group can exercise significant influence over the relevant activities of Yuzhou Properties through appointment of a representative on the Board of Directors of Yuzhou Properties and thus Yuzhou Properties is accounted for as an associate of the Group. A gain of RMB156,899,000 on bargain purchase, representing the excess of fair value of identifiable assets and liabilities of Yuzhou Properties amounted to RMB1,745,293,000 and the total consideration of RMB1,588,394,000, was recognised as part of the share of profits less losses of associates in the consolidated statement of profit or loss during the year.

On 16 November 2018, Yuzhou Properties declared a scrip dividend scheme in relation to the interim dividend for the six months ended 30 June 2018, and the Group elected for receiving the interim dividend wholly in new and fully paid shares in lieu of cash. Accordingly, the Group received 18,816,440 scrip shares and the total shares of Yuzhou Properties held by the Group account for 9.98% of Yuzhou Properties's issued share capital after the scrip dividend scheme.

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15 INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(ii) The Group acquired 73,371,900 shares of E-House on 5 July 2018 which represented 4.99% of equity interest and such investment was initially designated as financial assets measured at FVOCI. Subsequent to appointment of a representative on the Board of Directors in E-House on 30 November 2018, the directors consider that it can exercise significant influence on E-House, and accordingly, the investment in E-House was transferred from financial assets measured at FVOCI to interests in associate of the Group. A loss of RMB66,688,000, representing the difference between the cost of investment and fair value of interest in E-House upon the time of the transfer, was recognised as other comprehensive income and transferred to retained profits during the year.

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Name	CSI Company		Capital Converge		Minsheng Education		Yuzhou Property	E-House (China) Enterprise Holdings Limited
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000
Group's effective interest	49%	49%	49%	49%	8.2634%	8.2634%	9.98483%	4.99048%
At 31 December:								
Current assets	579,632	656,252	4,238,685	4,302,814	1,578,023	2,459,911	91,898,614	10,106,114
Non-current assets	1,093,247	990,357	31,579	85,233	5,046,451	1,761,936	24,208,409	1,212,283
Current liabilities	(20,089)	(2,491)	(2,453,080)	(2,874,413)	(1,507,081)	(773,754)	(64,520,129)	(3,306,960)
Non-current liabilities	(7,986)	(7,986)	(956,198)	(739,324)	(1,587,996)	(301,406)	(29,112,523)	(73)
Perpetual bond	–	–	–	–	–	–	(1,937,669)	–
NCI	–	–	–	–	(120,987)	(120,998)	(1,943,762)	(143,727)
Equity attributable to shareholders	1,644,804	1,636,132	860,986	774,310	3,408,410	3,025,689	18,592,940	7,867,637
Group's share of net assets of the associate	805,954	801,705	421,883	379,412	281,651	250,025	1,856,474	392,633
Goodwill	–	–	–	–	135,688	135,688	–	491,812
Amount due from an associate	–	–	–	641,117	–	–	–	–
Carrying amount in the consolidated financial statements	805,954	801,705	421,883	1,020,529	417,339	385,713	1,856,474	884,445

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15 INTERESTS IN ASSOCIATES *(continued)*

Name	CSI Company		Capital Converge		Minsheng Education		Yuzhou Property	E-House (China) Enterprise Holdings Limited
				For the period from the date of acquisition to 31 December		For the period from the date of acquisition to 31 December	For the period from the date of acquisition to 31 December	For the period from the date of acquisition to 31 December
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000
Revenue	18,499	6,688	1,694,439	–	623,143	223,153	14,291,490	877,256
Profit for the year	8,672	655	84,716	–	332,839	98,884	1,975,261	120,862
Other comprehensive income	–	–	(4,685)	–	49,884	(23,001)	(861,762)	–
Total comprehensive income	8,672	655	80,031	–	382,723	75,883	1,113,499	120,862
Dividend receivable/received from the associate	–	–	–	–	–	–	–	–
Bargain purchase of interest in an associate	–	–	–	–	–	–	156,899	–
Group's share of profit	4,249	321	41,511	–	27,504	8,172	197,227	6,032
Group's share of total comprehensive income	4,249	321	39,215	–	31,626	6,272	111,182	6,032

Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	533,736	430,907
Aggregate amounts of the Group's share of those associates'		
(Loss)/profit for the year	(14,428)	95,567
Other comprehensive income	95	–
Total comprehensive income	(14,333)	95,567

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16 INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Unlisted investments:		
– Share of net assets	**287,330**	11,222

Details of the Group's interests in the joint venture at 31 December 2018 are as follows:

Name of joint venture	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal activity
成都保鑫泉盛房地產開發有限公司 (Chengdu Baoxin Quansheng Real Estate Development Company Limited) ("Chengdu Baoxin Quansheng")	PRC	Paid-up capital of RMB50,000,000	25.50%	–	50%	Property investment and property development for sales or lease
成都天府華僑城湖濱商業管理有限公司 (Chengdu Tianfu OCT Lakeside Business Management Co. Ltd.) ("OCT Lakeside") *(Note 33)*	PRC	Paid-up capital of RMB10,000,000	24.99%	–	49%	Consulting and management of entertainment project

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16 INTERESTS IN JOINT VENTURES *(continued)*

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed as follows:

Name	Chengdu Baoxin Quansheng	
	2018	2017
	RMB'000	RMB'000
Principal place of business	PRC	
Principal activities	Property investment and property development for sale or lease	
Group's effective interest	50%	
Current assets	**987,075**	1,577,836
Non-current assets	**956**	9,369
Current liabilities	**(502,950)**	(1,564,761)
Net assets	**485,081**	22,444
Group's share of net assets of the joint venture	**242,540**	11,222
Carrying amount in the consolidated financial statements	**242,540**	11,222
Revenue	**2,138,513**	449
Profit/(loss) for the year	**458,487**	(16,643)
Total comprehensive income	**458,487**	(16,643)
Group's share of profit/(loss)	**229,244**	(8,322)

Aggregate information of joint venture that is not individually material:

	2018	2017
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	**44,790**	–
Aggregate amounts of the Group's share of a joint venture's		
Profit for the year	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**–**	–

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17 OTHER FINANCIAL ASSETS

	Notes	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Equity securities designated at FVOCI (non-recycling)	(i)			
– Equity securities listed in Hong Kong		**1,161,836**	–	–
Financial assets measured at FVPL	(ii)			
– Unlisted equity securities		**275,689**	599,711	–
Available-for-sale financial assets	(ii)			
– Unlisted equity securities		**–**	–	599,711
		1,437,525	599,711	599,711

Notes:

(i) The Group designated its investment in listed equity securities at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the year (2017: Nil).

(ii) Available-for-sale financial assets were reclassified to financial assets measured at FVPL upon the initial application of HKFRS 9 at 1 January 2018 (see note 1(c)(i)).

18 FINANCE LEASE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Finance lease receivables	**296,212**	–
Less: due within one year	**(65,342)**	–
	230,870	–

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18 FINANCE LEASE RECEIVABLES *(continued)*

As at 31 December 2018, the total future minimum lease payments receivables under finance leases were as follows:

	2018				2017			
	Lease payments receivable RMB'000	Unearned finance income RMB'000	Allowance of bad debt RMB'000	Carrying amount RMB'000	Lease payments receivable RMB'000	Unearned finance income RMB'000	Allowance of bad debt RMB'000	Carrying amount RMB'000
Within 1 year	80,398	(14,275)	(781)	65,342	–	–	–	–
After 1 year but within 5 years	257,138	(23,508)	(2,760)	230,870	–	–	–	–
	337,536	(37,783)	(3,541)	296,212	–	–	–	–

19 INVENTORIES AND OTHER CONTRACT COSTS

	Notes	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
Inventories:				
Comprehensive development business				
Properties held for future development and under development for sale		4,227,428	4,391,312	4,391,312
Completed properties held for sale		2,821,182	3,808,353	3,808,353
Other inventories		7,113	4,489	4,489
		7,055,723	8,204,154	8,204,154
Paper packaging business				
Raw materials		–	25,614	25,614
Work in progress		–	4,404	4,404
Finished goods		–	3,681	3,681
		–	33,699	33,699
Other contract costs	(ii)	–	824	–
		7,055,723	8,238,677	8,237,853

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19 INVENTORIES AND OTHER CONTRACT COSTS *(continued)*

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances at 1 January 2018. Comparative information has not been restated.

(ii) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to capitalise certain sales commissions which were expensed in prior periods. This has resulted in an increase in contract costs as at that date (see note 1(c)(ii)).

(a) The analysis of lease terms of inventories under comprehensive development business is as follows:

	2018 RMB'000	2017 RMB'000
In the PRC		
– medium-term leases (between 10 and 50 years)	6,205,340	7,124,796
– long leases (over 50 years)	843,270	1,074,869
	7,048,610	8,199,665

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	1,159,519	3,098,221
Write-down of inventories	168	1,513
Reversal of write-down of inventories	(312)	(660)
	1,159,375	3,099,074

The reversal of write-down of inventories made in prior years arose upon sale of inventories.

The amount of land held for future development for sale and properties under development for sale expected to be recovered after more than one year is RMB6,409,192,000 (2017: RMB1,348,343,000). All of the other inventories are expected to be recovered within one year.

As at 31 December 2017, the carrying amount of inventories of comprehensive development business that were under floating charge for banking facilities granted to OCT Shanghai Land amounted to approximately RMB1,287,914,000. According to the floating charge agreement, if the subsidiary does not breach the terms of the agreement, such floating charge arrangement would allow the subsidiary to sell those completed properties held for sale under its normal operating activities at reasonable consideration. The floating charge for banking facilities was released upon repayment of the respective bank loan in 2018.

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19 INVENTORIES AND OTHER CONTRACT COSTS *(continued)*

(c) Contract costs

Contract costs capitalised as at 31 December 2018 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "distribution costs" in the statement of profit or loss in the period in which revenue from the related property sales is recognised.

In the comparative period, such sales commissions were recognised as "distribution costs" when incurred and therefore an opening balance adjustment was made on 1 January 2018 in this regard (see note 1(c)(ii)).

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

20 CONTRACT LIABILITIES

	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (ii) RMB'000
Contract liabilities			
Comprehensive development business	**143,949**	369,972	–
Paper packaging business	**–**	1,843	–
	143,949	371,815	–

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of HKFRS 15, these amounts were reclassified from "Trade and other payables" (see note 23) to contract liabilities (see note 1(c)(ii)).

Comprehensive development business payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives deposits and sale proceeds from customers after they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities until the properties are completed and transfer control to the customers.

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20 CONTRACT LIABILITIES *(continued)*

Movements in contract liabilities

	2018 RMB'000
Balance at 1 January	371,815
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(245,588)
Net increase in contract liabilities as a result of receiving deposits and sale proceeds in respect of properties still under construction as at 31 December 2018 less amounts returned to customers during the year	17,722
Balance at 31 December	143,949

The amount of forward sales deposits received expected to be recognised as income after more than one year is RMB41,363,000 (2017: RMB86,938,000, which were included under "trade and other payables").

21 TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade debtors and bills receivable		
– Amounts due from fellow subsidiaries	6,974	28,041
– Amounts due from third parties	42,129	91,644
Less: allowance for doubtful debts *(note 28(a))*	(1,545)	(8,107)
	47,558	111,578
Other receivables:		
– Amounts due from associates	583,227	37,015
– Amounts due from intermediate parents	1,157	1,167
– Amounts due from fellow subsidiaries	15,385	30,104
– Amounts due from other related parties	9,444	–
– Amounts due from third parties	212,568	54,131
Less: allowance for doubtful debts *(note 28(a))*	(11,182)	(12,684)
	810,599	109,733
Financial assets measured at amortised cost	858,157	221,311
Deposits and prepayments	366,574	143,843
	1,224,731	365,154

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21 TRADE AND OTHER RECEIVABLES *(continued)*

Presenting as:

	2018 RMB'000	2017 RMB'000
Non-current assets	**2,476**	–
Current assets	**1,222,255**	365,154
	1,224,731	365,154

Except for amounts of RMB18,940,000 (2017: Nil) which are interest bearing at 6% per annum, and amounts of RMB418,932,000 (2017: Nil) which are interest bearing at 2.5% to 3% per annum, the amounts due from associates, intermediate parents, fellow subsidiaries and other related parties are unsecured, non-interest bearing and repayable on demand.

Apart from prepayment of RMB2,476,000 for non-current assets (2017: Nil) is expected to be recovered after one year, all of the trade and other receivables are expected to be recovered within one year.

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**45,809**	109,353
1 to 2 years	**890**	1,418
2 to 3 years	**859**	728
Over 3 years	**–**	79
	47,558	111,578

Further details on the Group's credit policy are set out in note 28(a).

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22 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand represents:

	2018 RMB'000	2017 RMB'000
Cash at bank and on hand on statement of financial position	3,222,953	6,927,464
Less: Cash at bank pledged for bank loans *(note 24)*	(754,951)	–
Cash at bank pledged for certain mortgage facilities	(7,290)	–
Cash at bank pledged for bills payables	–	(29,208)
Bank deposits with maturity of more than three months	(716,516)	–
Cash and cash equivalents on the consolidated cash flow statement	1,744,196	6,898,256

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

22 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(continued)*

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	Note	2018 RMB'000	2017 RMB'000 *(Note)*
Profit before taxation from:			
– Continuing operations		**1,065,453**	2,058,477
– Discontinued operation	32	**87,755**	31,563
		1,153,208	2,090,040
Adjustments for:			
Depreciation and amortisation	5(c)	**302,934**	232,964
Interest income	4(a)	**(114,881)**	(32,875)
Finance costs	5(a)	**175,061**	190,960
Net gain on disposal of property, plant and equipment	4(b)	**(1,005)**	(721)
Net realised and unrealised gains on unlisted equity securities	4(b)	**(116,474)**	(986)
Impairment loss on property, plant and equipment	5(c)	**–**	379
(Reversal of)/impairment of inventories	19(b)	**(144)**	853
Share of profits less losses of associates		**(418,994)**	(104,060)
Share of profit/(loss) of joint ventures		**(229,244)**	8,322
Gain on disposal of subsidiaries	4(b)	**(118,407)**	(730,930)
Gain on previously held interest in a subsidiary upon loss of control	4(b)	**(40,101)**	(416,238)
Loss on transfer of available-for-sale securities to interests in an associate	4(b)	**–**	24,121
(Reversals of impairment losses)/impairment losses on trade and other receivables	5(c)	**(3,153)**	3,253
Impairment loss on finance lease receivables	5(c)	**3,541**	–
Changes in working capital:			
(Increase)/decrease in inventories and other contract costs		**(727,584)**	906,898
Increase in finance lease receivables		**(299,753)**	–
(Increase)/decrease in trade and other receivables		**(88,002)**	461,661
Increase/(decrease) in trade and other payables		**282,021**	(25,115)
Decrease in contract liabilities		**(227,866)**	–
Cash (used in)/generated from operations		**(468,843)**	2,608,526

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

22 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Bank and other loans RMB'000	Related party loans RMB'000	Total RMB'000
At 1 January 2017	4,276,638	4,592,348	8,868,986
Changes from financing cash flows:			
Proceeds from new loans	3,460,667	420,000	3,880,667
Repayment of loans	(2,619,659)	(3,626,648)	(6,246,307)
Total changes from financing cash flows	841,008	(3,206,648)	(2,365,640)
Exchange adjustments	(107,941)	–	(107,941)
At 31 December 2017 and 1 January 2018	**5,009,705**	**1,385,700**	**6,395,405**
Changes from financing cash flows:			
Proceeds from new loans	**4,090,039**	**552,000**	**4,642,039**
Repayment of loans	**(2,953,646)**	**(400,000)**	**(3,353,646)**
Total changes from financing cash flows	**1,136,393**	**152,000**	**1,288,393**
Exchange adjustments	**244,559**	**–**	**244,559**
Transfer from other payables to related party loans	**–**	**500,000**	**500,000**
At 31 December 2018	**6,390,657**	**2,037,700**	**8,428,357**

Notes to the Consolidated Financial Statements

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23 TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade creditors and bills payable:		
– Amounts due to fellow subsidiaries	23,311	21,717
– Amounts due to third parties	1,158,482	844,580
	1,181,793	866,297
Other payables and accruals:		
– Amounts due to associates	132,431	632,445
– Amount due to a joint venture	195,087	125,587
– Amount due to the ultimate parent	–	4
– Amounts due to intermediate parents	–	17
– Amounts due to fellow subsidiaries	311,956	114,988
– Amounts due to third parties *(note ii)*	612,711	845,953
	1,252,185	1,718,994
Interest payables:		
– Amount due to an associate	32,876	–
– Amounts due to intermediate parents	23,717	22,536
– Amounts due to fellow subsidiaries	57,723	30,533
– Amounts due to third parties	17,674	15,545
	131,990	68,614
Financial liabilities measured at amortised cost	2,565,968	2,653,905
Receipts in advance *(note i)*	–	371,815
Deposits *(note iii)*	91,478	48,401
	2,657,446	3,074,121

Notes:

(i) As a result of the adoption of HKFRS 15, receipts in advance are separately classified as contract liabilities on the consolidated statements of financial position.

(ii) Chengdu OCT received advances amounting to RMB550,000,000 for construction of infrastructure facilities in previous years. As at 31 December 2018, the balance of the advances received deducting the carrying amount of the related infrastructure facilities was RMB145,394,000 (2017: RMB152,644,000), which was included in other payables.

(iii) At 31 December 2018, deposits of RMB55,591,000 (2017: RMB23,022,000) are expected to be settled after more than one year. All of the other payables and accrued expenses and deposits are expected to be settled within one year.

Notes to the Consolidated Financial Statements

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23 TRADE AND OTHER PAYABLES *(continued)*

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	1,101,819	725,179
1 to 2 years	20,956	109,301
2 to 3 years	31,041	12,211
Over 3 years	27,977	19,606
	1,181,793	866,297

24 LOANS

(a) At 31 December 2018, the loans are repayable as follows:

	2018 RMB'000	2017 RMB'000
(i) Bank and other loans		
Within 1 year or on demand	4,979,886	3,989,954
After 1 year but within 2 years	282,954	579,751
After 2 years but within 5 years	1,127,817	440,000
	1,410,771	1,019,751
	6,390,657	5,009,705
(ii) Related party loans		
Within 1 year or on demand	2,037,700	1,385,700
	8,428,357	6,395,405

Notwithstanding the specified repayment schedules as stated in the facility letters which allow the loans to be repaid over a period of more than one year, banking facilities granted to the Group include a clause that gives the bank an unconditional right to call the bank loans at any time ("repayable on demand clause"). Certain bank loans subject to the repayable on demand clause amounted to RMB2,549,742,000 as at 31 December 2018 (2017: RMB1,916,339,000) were classified as current liabilities in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

24 LOANS *(continued)*

(a) At 31 December 2018, the loans are repayable as follows: *(continued)*

The average interest rates at 31 December were as follow:

	2018	2017
Bank loans	1 month HIBOR + 0.9% to 4.99%	1 month HIBOR + 0.55% to 4.275%
Other loans	6.38%	6.38%
Related party loans	4.35% to 5.00%	4.75%

(b) Details of the loans are analysed as follows:

	2018 RMB'000	2017 RMB'000
Current		
Secured		
– Bank and other loans	700,960	409,287
Guaranteed		
– Bank and other loans	120,000	537,955
Unsecured		
– Bank and other loans	4,158,926	3,042,712
– Related party loans	2,037,700	1,385,700
	6,196,626	4,428,412
	7,017,586	5,375,654
Non-current		
Guaranteed		
– Bank and other loans	1,127,817	643,591
Unsecured		
– Bank and other loans	282,954	376,160
	1,410,771	1,019,751
	8,428,357	6,395,405

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

24 LOANS *(continued)*

(b) Details of the loans are analysed as follows: *(continued)*

At 31 December 2018, guaranteed bank loans are guaranteed by related parties as follow:

	2018 RMB'000	2017 RMB'000
Shenzhen Overseas Chinese Town Co., Ltd.	560,000	1,181,546
Overseas Chinese Town (HK) Co., Ltd.	687,817	–
	1,247,817	1,181,546

(c) The secured loans are secured by the following assets:

	2018 RMB'000	2017 RMB'000
Pledged deposits *(note 22(a))*	754,951	–
Inventories	–	1,287,751
Investment properties	–	229,103
	754,951	1,516,854

(d) Details of loans from related parties are as follows:

	2018 RMB'000	2017 RMB'000
Current		
– Loan from an associate	860,000	–
– Loan from a fellow subsidiary	1,177,700	1,385,700
	2,037,700	1,385,700

25 EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenzhen, Zhongshan, Huizhou, Shanghai, Changshu, Anhui, Xi'an, Suzhou and Chengdu where the Group is required to make contributions to the Schemes at a rate ranging from 13% to 20% (2017: 12% to 22%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly amount of HK$1,500. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

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26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2018	2017
	RMB'000	RMB'000
PRC CIT	**155,373**	240,621
PRC LAT	**593,511**	482,226
	748,884	722,847

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accounting depreciations in excess of depreciation allowances	Credit loss allowance	Provision	Accrued expenses	Unrealised profit	Tax losses	Receipts in advance of pre-sale of properties	Undistributed profits of subsidiaries and associates	Fair value adjustment from business combinations	Temporary differences on prepaid LAT	Fair value change of other financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:												
At 1 January 2017	2,051	5,169	991	78,853	24,411	4,833	37,943	(23,625)	(187,839)	–	–	(57,213)
Charged/(credited) to profit or loss	32,538	800	2,513	16,086	(7,072)	(4,833)	22,395	–	15,140	(6,548)	–	71,019
Disposals of subsidiaries *(note 33)*	–	(221)	(2,786)	–	–	–	(48,407)	–	–	6,548	–	(44,866)
Transfer to assets directly associated with assets and liabilities of disposal groups classified as held for sale *(note 32)*	–	(550)	(618)	–	–	–	–	–	–	–	–	(1,168)
At 31 December 2017	34,589	5,198	100	94,939	17,339	–	11,931	(23,625)	(172,699)	–	–	(32,228)
At 1 January 2018	**34,589**	**5,198**	**100**	**94,939**	**17,339**	**-**	**11,931**	**(23,625)**	**(172,699)**	**-**	**-**	**(32,228)**
(Credited)/charged to profit or loss	**(5,016)**	**(1,057)**	**(36)**	**47,498**	**(2,297)**	**-**	**(11,931)**	**-**	**2,482**	**-**	**(672)**	**28,971**
Disposals of subsidiaries *(note 33)*	**-**	**(193)**	**(52)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(245)**
At 31 December 2018	**29,573**	**3,948**	**12**	**142,437**	**15,042**	**-**	**-**	**(23,625)**	**(170,217)**	**-**	**(672)**	**(3,502)**

Notes to the Consolidated Financial Statements

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(Expressed in Renminbi)

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2018 RMB'000	2017 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**191,012**	164,096
Net deferred tax liability recognised in the consolidated statement of financial position	**(194,514)**	(196,324)
	(3,502)	(32,228)

(c) Deferred tax liabilities not recognised

As set out in note 6(a), withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries. Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the Mainland China, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2018, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB646,122,000 (2017: RMB848,732,000). Deferred tax liabilities of RMB32,306,000 (2017: RMB42,437,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(v) to the consolidated financial statements, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB185,256,000 (2017: RMB82,837,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses could be carried forward for a maximum of five years.

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(Expressed in Renminbi)

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company	Note	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2017		67,337	36,884	248,970	32,449	–	2,198,246	2,583,886
Changes in equity for 2017:								
Total comprehensive income for the year		–	–	–	–	51,114	312,909	364,023
Dividends approved in respect of the previous year	27(b)(ii)	–	–	–	–	–	(107,849)	(107,849)
Issuance of perpetual capital securities	27(d)	–	–	–	–	5,242,199	–	5,242,199
Balance at 31 December 2017 and 1 January 2018	34	67,337	36,884	248,970	32,449	5,293,313	2,403,306	8,082,259
Changes in equity for 2018:								
Total comprehensive income for the year		-	-	-	-	228,694	374,112	602,806
Distribution to the holders of perpetual capital securities		-	-	-	-	(227,342)	-	(227,342)
Dividends approved in respect of the previous year	27(b)(ii)	-	-	-	-	-	(318,431)	(318,431)
Balance at 31 December 2018	34	67,337	36,884	248,970	32,449	5,294,665	2,458,987	8,139,292

Notes to the Consolidated Financial Statements

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(Expressed in Renminbi)

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2018 RMB'000	2017 RMB'000
Final dividend proposed after the end of the reporting period of HK22.00 cents per ordinary share (equivalent to RMB19.28 cents per ordinary share) (2017: HK48.00 cents per ordinary share (equivalent to RMB40.12 cents per ordinary share))	144,285	261,729
Final dividend proposed after the end of the reporting period of HK$ Nil per convertible preference share (equivalent to RMB Nil per convertible preference share) (2017: HK20.25 cents per convertible preference share (equivalent to RMB16.93 cents per convertible preference share))	–	16,253
	144,285	277,982

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK48.00 cents per ordinary share (equivalent to RMB40.47 cents per ordinary share) (2017: HK16.00 cents per ordinary share (equivalent to RMB13.89 cents per ordinary share))	302,855	90,590
Final dividend in respect of the previous financial year, approved and paid during the year, of HK20.25 cents per convertible preference share (equivalent to RMB16.23 cents per convertible preference share) (2017: HK20.25 cents per convertible preference share (equivalent to RMB17.98 cents per convertible preference share))	15,576	17,259
	318,431	107,849

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

Authorised and issued share capital

Authorised:

	2018			2017		
	Convertible preference shares of HK$0.1 each No.of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000
At 1 January and 31 December	–	2,000,000	200,000	96,000	2,000,000	209,600

Issued and fully paid:

	2018			2017		
	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital RMB'000	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital RMB'000
At 1 January and 31 December	–	748,366	67,337	96,000	652,366	67,337

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27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

Authorised and issued share capital (continued)

Note:

Convertible preference shares of HK$0.1 each ("CPS") are non-voting shares and shall not carry any right of preference save as set out herein the Articles of Association of the Company.

According to the terms of the CPS, the CPS shall be non-redeemable, each CPS holder is entitled to a preferential dividend at a rate of 5 per cent per annum on HK$4.05, being the price at which each CPS would be initially issued ("the Preferential Dividend") pari passu with other shares ranking pari passu as regards income with the CPS but otherwise in priority to any other class of shares in the capital of the Company from time to time in issue (including the ordinary shares of the Company). The Board of Directors of the Company may, in its sole discretion, elect not to pay any Preferential Dividend in any given year. In the event that the Company elects not to pay the Preferential Dividend in any given year, the Preferential Dividend not paid shall be extinguished and not be carried forward. The CPS shall not entitle the shareholders of the CPS thereof to any further or other right of participation in the profits of the Company.

During the period of existence of the CPS, subject to some conversion restriction, each holder of the CPS shall have the right to convert all or part of any CPSs into new ordinary shares at any time at the initial conversion price of HK$4.05 per CPS.

On 26 April 2018, the holders of CPS of the Company, Pacific Climax Limited ("Pacific Climax"), the immediate parent of the Company, converted all the 96,000,000 CPS to ordinary shares of the Company at the conversion price of HK$4.05 per ordinary share. After the conversion of the CPS, the Company did not have any outstanding CPS.

(d) Perpetual capital securities

On 28 September 2017, the Company issued senior guaranteed perpetual capital securities with an principal amount of US$800,000,000 (equivalent to approximately RMB5,242,199,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.3% per annum from and including 10 April 2018, payable semi-annually on 10 April and 10 October of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the management, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments.

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(Expressed in Renminbi)

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves

(i) Share premium and contributed surplus

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The excess of the issued price net of any issuance expenses over the par value of the shares issued has been credited to the share premium account of the Company.

(ii) Capital reserve

Capital reserve comprises the following:

– difference between the total amount of registered capital and the amount of contributions from the owners of a subsidiary; and

– the portion of the grant date fair value of unexercised share options granted to employees, directors and consultants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(u)(ii) to the consolidated financial statements.

(iii) PRC statutory reserve

Transfers from retained earnings to PRC statutory reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to PRC statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to the owners.

PRC statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid up capital provided that the balance of PRC statutory reserve after such conversion is not less than 25% of the registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(y) to the consolidated financial statements.

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27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves *(continued)*

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(g)).

(vi) Other reserve

Other reserve mainly includes merger reserve and enterprise expansion fund.

Merger reserve arose from the differences between the consideration paid and the carrying amount arising on the original acquisition of the subsidiaries as recorded in the controlling party's financial statements in the consolidated financial statements.

The subsidiaries in the PRC are required to transfer a certain percentage of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion fund. The percentage of this appropriation is decided by the directors of the subsidiaries.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the gearing ratio, which is defined as total borrowings including bills payable and loans divided by total assets.

During 2018, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio at a level of industry average. In order to maintain or adjust the ratio, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

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27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) Capital management *(continued)*

The Group's gearing ratio at 31 December 2018 and 2017 was as follows:

	Note	2018 RMB'000	2017 RMB'000
Loans	24	8,428,357	6,395,405
Bills payable		–	8,440
Total borrowings		8,428,357	6,403,845
Total assets		25,078,807	23,745,516
Gearing ratio		33.6%	27.0%

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to bank deposits and trade and other receivables.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Group has no concentration of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 30, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 30.

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(Expressed in Renminbi)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

In respect of receivables of mortgage sales, no credit terms will be granted to the purchasers. In respect of other trade receivables, the Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. Trade receivables are normally due within 60-120 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

For other receivables, regular review and follow-up actions are carried out on long-aged other receivables, which enable management to assess their recoverability and to minimise exposure to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The specific impairment losses have been made for the certain other receivables to reflect the relevant ECL.

The Group measures loss allowances for trade receivables and other receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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For the year ended 31 December 2018

(Expressed in Renminbi)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	**0.06%**	**43,591**	**26**
Less than 1 year past due	**13.91%**	**1,093**	**152**
1-2 years past due	**16.62%**	**656**	**109**
2-3 years past due	**40.05%**	**437**	**175**
Over 3 years past due	**100.00%**	**1,083**	**1,083**
		46,860	**1,545**

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(l)(i) – policy applicable prior to 1 January 2018). The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	52,353
Less than 1 year past due	4,535
	56,888

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

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(Expressed in Renminbi)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Comparative information under HKAS 39 (continued)

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 RMB'000	2017 RMB'000
Balance at 31 December 2017 under HKAS 39	**8,107**	9,142
Balance at 1 January	**8,107**	9,142
Impairment loss recognised	**1,176**	2,363
Impairment loss reversed	**(3,192)**	(278)
Uncollectible amounts written off	**(4,546)**	(3,120)
Balance at 31 December	**1,545**	8,107

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

For bank loans subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter and, separately, the impact to the timing of the cash outflow if the lenders were to invoke unconditional rights to call the loans with immediate effect.

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For the year ended 31 December 2018

(Expressed in Renminbi)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

	2018 Contractual undiscounted cash outflow					2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables *(note)*	2,657,446	-	-	2,657,446	2,657,446	2,838,773	-	-	-	2,838,773	2,838,773
Bank and other loans	3,125,805	1,994,150	1,804,163	6,924,118	6,390,657	2,215,350	780,993	2,348,020	85,696	5,430,059	5,009,705
Related party loans	2,133,995	-	-	2,133,995	2,037,700	1,451,521	-	-	-	1,451,521	1,385,700
	7,917,246	1,994,150	1,804,163	11,715,559	11,085,803	6,505,644	780,993	2,348,020	85,696	9,720,353	9,234,178
Adjustments to present cash flows on bank loans based on lender's right to demand repayment	2,102,880	(1,548,780)	(621,605)	(67,505)		1,916,339	(86,022)	(1,797,865)	(85,696)	(53,244)	
	10,020,126	445,370	1,182,558	11,648,054		8,421,983	694,971	550,155	-	9,667,109	

Note: The amount excludes receipts in advance from property sale.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash and cash equivalent, pledged and restricted deposits and bank and other loans at variable rates. Due to the anticipation about the interest rates of cash and cash equivalent and pledged deposits not changing significantly, bank and other loans at variable rates mainly expose the Group to cash flow interest rate risk. As at 31 December 2018, the Group's outstanding bank and other loans of RMB6,390,657,000 are issued at variable rates.

Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB13,190,000 (2017: RMB9,812,000).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies (expressed in Renminbi)			
	2018		2017	
	Hong Kong Dollars RMB'000	**United States Dollars RMB'000**	Hong Kong Dollars RMB'000	United States Dollars RMB'000
Cash at bank and on hand	**55,380**	**2,179,318**	754,372	3,771,301
Inter-company trade and other receivables within the Group	**5,408,938**	**–**	4,620,972	–
Trade and other receivables	**334,712**	**20,984**	320,913	61,444
Inter-company trade and other payables within the Group	**(87,449)**	**–**	(109,542)	–
Trade and other payables	**(25,252)**	**–**	(19,982)	(8)
Loans	**(4,543,097)**	**–**	(3,920,418)	–
Net exposure arising from recognised assets and liabilities	**1,143,232**	**2,200,302**	1,646,315	3,832,737

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(Expressed in Renminbi)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The sensitivity analysis assumes that the change foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. For inter-company balances eliminated on consolidation, the related foreign exchange gains or losses will not be eliminated, unless the receivables or payables form part of the Group's net investment in the subsidiaries. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

Based on the assumption that Hong Kong dollars continue to be pegged to United States dollars, management estimated that a 5% (2017: 5%) depreciation of United States dollars/Hong Kong dollars against Renminbi, the Group's profit would be decreased by RMB167,177,000 (2017: decreased by RMB273,953,000).

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group's entities' profits after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rates ruling at the end of the reporting periods for presentation purposes.

(e) Fair value measurement of financial instruments

(i) Financial assets and liabilities measured at fair value

a. Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

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For the year ended 31 December 2018

(Expressed in Renminbi)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

a. Fair value hierarchy *(continued)*

The Group employed valuer to perform valuations for the unlisted equity securities. A valuation report with analysis of changes in fair value measurement is prepared by the valuer at the reporting date, and is reviewed and approved by the management. Discussion of the valuation process and results with the management and the Audit Committee is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December	Fair value measurements as at 31 December 2018 categorised into		
	2018 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
– Listed equity securities	1,161,836	1,161,836	–	–
– Unlisted equity securities	275,689	–	–	275,689
	1,437,525	1,161,836	–	275,689

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement of financial instruments *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

b. Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Rate
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	20%

The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's profit by RMB1,794,000.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2018 RMB'000
Unlisted equity securities:	
At 1 January	599,711
Disposed during the period	(326,711)
Changes in fair value recognised in profit or loss during the period	2,689
At 31 December	275,689
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	2,689

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

29 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2018 not provided for in the financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	17,970	57,975
Property development project	926,853	1,855,012
Investment	1,000	–
	945,823	1,912,987

(b) Lease arrangements

The Group as lessee

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases in respect of land and properties were payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	27,612	35,426
After 1 year but within 5 years	73,624	–
After 5 years	14,074	–
	115,310	35,426

The Group leases a number of land and properties under operating leases. The leases run for period from 1 to 8 years and certain leases have an option to renew at which time all the terms are renegotiated. Certain leases are cancellable with minimum payment as set out in the respective lease agreements. None of the leases includes contingent rentals.

The Group as lessor

All of the Group's investment properties are held for rental purposes. All of the properties held have committed tenants for the next 1 to 10 years.

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are receivable for the Group's commercial properties in as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	35,273	22,612
After 1 year but within 5 years	115,863	85,529
After 5 years	116,315	52,217
	267,451	160,358

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

30 CONTINGENT LIABILITIES

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but usually within a range of 0% to 5% of the mortgage loans granted to buyers, with prescribed capped amount.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore is recognised in respect of these guarantees.

As at 31 December 2018, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to RMB823,991,000 (2017: RMB427,788,000).

Notes to the Consolidated Financial Statements

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(Expressed in Renminbi)

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group has a related party relationship with the following parties:

Name of party	Relationship with the Group
OCT Group	Ultimate parent
Shenzhen Overseas Chinese Town Co., Ltd.	Intermediate parent
Overseas Chinese Town (HK) Co., Ltd.	Intermediate parent
Konka Group Company Limited, its subsidiaries and associates	Fellow subsidiary
Shenzhen Overseas Chinese Town Water and Electricity Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Property Services Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Creative Culture Hotel Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town International Media and Performance Co., Ltd.	Fellow subsidiary
Overseas Chinese Town Culture Tourism and Technology Co., Ltd.	Fellow subsidiary
Shenzhen OCT Hake Culture Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Entertainment Investment Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Properties Co., Ltd.	Fellow subsidiary
Shanghai Huahe Real Estate Development Co., Ltd.	Joint venture of intermediate parent

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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31 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the financial statements, major related party transactions entered by the Group during the year are as follows:

	2018 RMB'000	2017 RMB'000
Sales of goods and provide services	71,856	61,642
Purchase of goods and services	22,355	39,073
Rental income	6,158	4,002
Rental expense	3,586	3,677
Interest expense *(note)*	92,093	125,768
Repayment of loans *(note)*	950,480	3,626,648
New borrowings *(note)*	1,602,480	420,000
New loans to an associate	18,940	–
Repayment to an associate	500,000	–
Repayment from an associate	109,448	–

Note: For the year ended 31 December 2018, OCT Group and its subsidiaries provided financial supports to the Group, and such financial supports constituted to connected transactions of the Group, but were exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on that the financial supports provided to the Group by OCT Group and its subsidiaries and which benefited the Group was made on the normal commercial terms (or more favorable than that provided to the listing issuer) to provide loans to the Group; and no asset of the Group was pledged as collateral for these financial supports.

(c) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Group's directors as disclosed in note 7 to the consolidated financial statements and certain of the highest paid employees as disclosed in note 8 to the consolidated financial statements, is as follows:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	11,703	16,608
Post-employment benefits	595	871
	12,298	17,479

Total remuneration is included in "staff costs" (see note 5(b)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

31 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(d) Balance with related parties

Amounts due from/(to) related parties are set out in notes 21, 23 and 24 to the consolidated financial statement.

(e) Applicability of the Listing Rules relating to connected transactions

Apart from the connected transactions and continuing connected transactions disclosed in the section headed "Connected Transactions" in the Directors' Report, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

32 DISCONTINUED OPERATION

During the year ended 31 December 2018 and 2017, the Group pushed forward transformation strategy by gradually stripping down its paper packaging business, so as to adjust and optimise its industrial structure.

On 15 December 2017, the Group placed 85% of its equity interest of Huali Packaging (Huizhou) Co., Ltd. ("Huali Packaging (Huizhou)") on China Beijing Equity Exchange for sale through an open tender with a floor price of RMB71,809,000. The disposal was completed in April 2018 after the Group entering into an equity transfer agreement with independent third parties at a consideration of RMB71,809,000.

On 28 December 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose part of its subsidiary, Suzhou Huali Environmental Packaging Technology Co., Ltd.'s assets at a consideration of RMB19,000,000. The disposal of assets was completed on 9 January 2018.

Notes to the Consolidated Financial Statements

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32 DISCONTINUED OPERATION *(continued)*

Assets and liabilities of disposal groups classified as held for sale on 31 December 2017 are set out as follows:

	2017
	RMB'000
Assets*	
Property, plant and equipment	23,540
Intangible assets	305
Deferred tax assets	1,168
Inventories	35,810
Trade and other receivables	134,395
Cash at bank and on hand	46,792
	242,010

	2017
	RMB'000
Liabilities*	
Trade and other payables	41,829
Current taxation	2,049
	43,878

* The assets of disposal groups excluded an amount of RMB20,000,000 due from the Group which was eliminated in consolidation. The liabilities of disposal groups excluded an amount of RMB121,142,000 due to the Group which was eliminated in consolidation.

Following the completion of transfer of 85% equity interest in Huali Packaging (Huizhou), the Group entered into another equity transfer agreement with the independent third party to dispose the remaining 15% equity interest in Huali Packaging (Huizhou) at a consideration of RMB12,916,000 in June 2018. Upon completion of the disposal in July 2018, the Group no longer hold any equity interest in Huali Packaging (Huizhou).

In October 2018, the Group entered into an agreement with the third party to dispose of the entire interest of its wholly-owned subsidiary, Zhongshan Huali Packaging Co., Ltd ("Zhongshan Huali") for a consideration of RMB150,289,000. The disposal of Zhongshan Huali was completed in December 2018 and the Group's paper packaging business ceased thereafter. As such, the results of the Group's paper packaging business were presented as discontinued operation in the consolidated financial statements.

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32 DISCONTINUED OPERATION *(continued)*

Results of discontinued operation are set out as follows:

	2018 RMB'000	2017 RMB'000
Revenue	400,258	795,332
Cost of sales	(314,803)	(674,993)
Gross profit	85,455	120,339
Other income	1,209	10,077
Other net losses	(1,105)	(3,054)
Distribution costs	(25,976)	(45,567)
Administrative expenses	(34,656)	(62,533)
Other operating expenses	71	(2,678)
Profit from operations	24,998	16,584
Finance costs	–	(3,018)
Profit before taxation	24,998	13,566
Income tax	(9,719)	(17,934)
Net operating gain for the year from discontinued operation, net of tax	15,279	(4,368)
Gain on disposal of discontinued operation	62,757	17,997
Tax of gain on disposal of discontinued operation	(9,764)	(3,967)
Net gain on disposal of discontinued operation	52,993	14,030
Profit from discontinued operation, net of tax	68,272	9,662
Attributable to:		
Ordinary shareholders of the Company	68,272	9,662

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For the year ended 31 December 2018

(Expressed in Renminbi)

32 DISCONTINUED OPERATION *(continued)*

Cash flows generated from discontinued operation are set out as follows:

	2018 RMB'000	2017 RMB'000
Net cash generated from operating cash flows	64,198	104,035
Net cash generated in investing cash flows	15,527	30,225
Net cash used in from financing cash flows	(43,166)	(101,520)
Net cash flows for the year	36,559	32,740

33 DISPOSALS OF SUBSIDIARIES

During the year end 31 December 2018, the Group has disposed certain subsidiaries. Except for disposal of a subsidiary included in discontinued operation as set out on note 32, the Group disposed 51% equity interest in OCT Lakeside to 中保投華僑城（深圳）旅遊文化城市更新股權投資基金合夥企業（有限合夥）("Zhongbao Investment Overseas Chinese Town (Shenzhen) Tourism Cultural City Renewal Equity Investment Fund Partnership (Limited Partnership)"), a fellow subsidiary of the Group, at a consideration of RMB60,531,000. Subsequent to the disposal, OCT Lakeside became a joint venture of the Group.

The combined effect of disposals on the Group's assets and liabilities is set out below:

	2018 RMB'000
Non-current assets	(48,410)
Interest in a joint venture	44,790
Current assets	(289,496)
Current liabilities	146,534
Non-current liabilities	111
Non-controlling interests	1,892
	(144,579)
Net assets attributable to equity holders disposed of	144,579
Gain on disposal of subsidiaries from continuing operations *(note 4(b))*	55,650
Gain on disposal of subsidiaries from discontinued operation *(note 32)*	62,757
Gain on previously held interest in a subsidiary upon loss of control *(note 4(b))*	40,101
Total consideration	303,087
Consideration to be received subsequent to year end	(150,289)
Total consideration received, satisfied in cash	152,798
Cash and cash equivalents disposed of	(72,257)
Net cash inflow arising from disposals	80,541

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34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2018 RMB'000	2017 RMB'000
Non-current assets		
Property, plant and equipment	1,748	18
Investments in subsidiaries	679,899	417,898
Interest in an associate	379,412	–
	1,061,059	417,916
Current assets		
Other receivables	10,523,328	7,290,211
Cash at bank and on hand	1,439,459	4,680,314
	11,962,787	11,970,525
Current liabilities		
Other payables	341,457	385,764
Bank loans	3,706,326	1,253,865
	4,047,783	1,639,629
Net current assets	7,915,004	10,330,896
Total assets less current liabilities	8,976,063	10,748,812
Non-current liabilities		
Bank loans	836,771	2,666,553
NET ASSETS	8,139,292	8,082,259
CAPITAL AND RESERVES		
Share capital	67,337	67,337
Perpetual capital securities	5,294,665	5,293,313
Reserves	2,777,290	2,721,609
TOTAL EQUITY	8,139,292	8,082,259

Approved and authorised for issue by the board of directors on 29 March 2019.

He Haibin
Director

Xie Mei
Director

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35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 27(b).

(b) On 26 March 2019, Shenzhen Huajing Investment Limited ("Shenzhen Huajing"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Zhuhai Yiyun Real Estate Limited ("Zhuhai Yiyun"), Xiamen Yuzhou Grand Future Real Estate Development Company Limited ("Xiamen Yuzhou", an indirectly wholly-owned subsidiary of Yuzhou Properties), and Zhongshan Yuhong Real Estate Development Limited ("Zhongshan Yuhong"), pursuant to which Shenzhen Huajing agreed to acquire and Xiamen Yuzhou agree to sell (i) 21% of equity interest in Zhongshan Yuhong at a consideration of RMB1,263,000; and (ii) debt interest in the principal amount of RMB331,552,000 owing by Zhongshan Yuhong to Xiamen Yuzhou together with the interest at an annual rate of 8% accrued thereon for a consideration equivalent to the amount of the debt interest.

36 COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2. Besides, certain comparative figures have been reclassified as a result of the presentation of discontinued operation (note 32).

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 *(continued)*

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, Leases

As disclosed in note 1(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(Expressed in Renminbi)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 *(continued)*

HKFRS 16, Leases *(continued)*

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 29(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB115,310,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB97,269,000 and RMB97,269,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

Five-Year Financial Summary

For the year ended 31 December

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000	2014 RMB'000
Continuing operations					
Revenue	**1,584,694**	4,109,462	5,358,174	6,436,110	3,796,572
Cost of sales	**(1,026,106)**	(2,561,837)	(3,712,045)	(4,414,956)	(2,550,308)
Gross profit	**558,588**	1,547,625	1,646,129	2,021,154	1,246,264
Other income	**124,257**	26,431	44,033	46,717	55,687
Other net gains/(losses)	**368,930**	1,058,258	10,373	(9,669)	350,958
Distribution costs	**(124,736)**	(215,451)	(285,833)	(284,517)	(221,459)
Administrative expenses	**(334,304)**	(265,228)	(248,930)	(249,613)	(190,093)
Other operating expenses	**(459)**	(954)	(103,855)	(122,770)	(46,958)
Profit from operations	**592,276**	2,150,681	1,061,917	1,401,302	1,194,399
Finance costs	**(175,061)**	(187,942)	(254,777)	(222,935)	(189,867)
Share of profits less losses of associates	**418,994**	104,060	480,926	188,307	(13,217)
Share of profit/(loss) of joint ventures	**229,244**	(8,322)	(5,456)	–	–
Profit before taxation	**1,065,453**	2,058,477	1,282,610	1,366,674	991,315
Income tax	**(206,898)**	(642,388)	(665,952)	(704,731)	(457,737)
Profit for the year from continuing operations	**858,555**	1,416,089	616,658	661,943	533,578
Discontinued operation					
Profit for the year from discontinued operation	**68,272**	9,662	–	–	–
Profit for the year	**926,827**	1,425,751	616,658	661,943	533,578
Attributable to:					
Equity holders of the Company	**798,702**	1,106,804	385,511	273,042	326,028
Non-controlling interests	**128,125**	318,947	231,147	388,901	207,550
Profit for the year	**926,827**	1,425,751	616,658	661,943	533,578
Earnings per share (RMB)					
Basic	**0.77**	1.59	0.57	0.40	0.49
Diluted	**0.76**	1.41	0.52	0.37	0.44

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, figures in years earlier than 2018 are not restated.

In addition, certain comparative figures in 2017 have been reclassified as a result of the presentation of discontinued operation. Figures in years earlier than 2017 are not restated.

Five-Year Financial Summary

As at 31 December

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Non-current assets					
Fixed assets	6,436,647	4,556,985	4,221,933	2,640,860	2,675,230
Intangible assets	6,273	1,597	2,092	2,125	684
Goodwill	570	570	570	103,740	223,476
Interests in associates	4,919,831	2,638,854	1,634,164	394,588	155,611
Interests in joint ventures	287,330	11,222	19,544	–	–
Other financial assets	1,437,525	599,711	247,320	4,320	4,320
Finance lease receivables	230,870	–	–	–	–
Trade and other receivables	2,476	–	–	–	–
Deferred tax assets	191,012	164,096	154,251	160,947	122,047
Other long-term deposits	–	–	–	1,107,843	–
	13,512,534	7,973,035	6,279,874	4,414,423	3,181,368
Current assets					
Inventories and other contract costs	7,055,723	8,237,853	10,490,803	13,183,088	13,699,310
Finance lease receivables	65,342	–	–	–	–
Trade and other receivables	1,222,255	365,154	530,196	1,107,857	1,213,414
Other financial assets	–	–	1,159,700	–	–
Cash at bank and on hand	3,222,953	6,927,464	2,077,758	3,374,156	3,763,918
	11,566,273	15,530,471	14,258,457	17,665,101	18,676,642
Assets of disposal groups classified as held for sale	–	242,010	–	–	–
	11,566,273	15,772,481	14,258,457	17,665,101	18,676,642
Current liabilities					
Trade and other payables	2,657,446	3,074,121	4,269,561	3,517,417	3,085,903
Contract liabilities	143,949	–	–	–	–
Bank and other loans	4,979,886	3,989,954	2,559,663	1,313,139	477,835
Related party loans	2,037,700	1,385,700	1,212,000	1,373,752	1,301,393
Current taxation	748,884	722,847	421,618	766,481	644,725
	10,567,865	9,172,622	8,462,842	6,970,789	5,509,856
Liabilities directly associated with assets of disposal groups classified as held for sale	–	43,878	–	–	–
	10,567,865	9,216,500	8,462,842	6,970,789	5,509,856
Net current assets	998,408	6,555,981	5,795,615	10,694,312	13,166,786
Total assets less current liabilities	14,510,942	14,529,016	12,075,489	15,108,735	16,348,154
Non-current liabilities					
Bank and other loans	1,410,771	1,019,751	1,716,975	2,817,516	3,044,400
Related party loans	–	–	3,380,348	5,283,346	6,661,154
Deferred tax liabilities	194,514	196,324	211,464	234,948	258,937
	1,605,285	1,216,075	5,308,787	8,335,810	9,964,491
NET ASSETS	12,905,657	13,312,941	6,766,702	6,772,925	6,383,663
Equity attributable to equity holders of the Company	9,466,242	9,672,327	3,026,948	3,035,855	2,998,057
Non-controlling interests	3,439,415	3,640,614	3,739,754	3,737,070	3,385,606
TOTAL EQUITY	12,905,657	13,312,941	6,766,702	6,772,925	6,383,663

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, figures in years earlier than 2018 are not restated.