Jiayuan International Group Limited

佳源國際控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 2768

2018 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Shum Tin Ching *(Chairman)*
Shen Xiaodong *(appointed w.e.f. 17 February 2019)*

Executive Directors

Zhang Yi *(Vice Chairman and President)*
(appointed w.e.f. 17 February 2019)
Huang Fuqing *(Vice Chairman)*
Cheuk Hiu Nam
Wang Jianfeng

Independent non-executive Directors

Tai Kwok Leung, Alexander
Cheung Wai Bun, Charles, JP
Gu Yunchang

AUDIT COMMITTEE

Tai Kwok Leung, Alexander *(Chairman)*
Cheung Wai Bun, Charles, JP
Gu Yunchang

REMUNERATION COMMITTEE

Cheung Wai Bun, Charles, JP *(Chairman)*
Tai Kwok Leung, Alexander
Cheuk Hiu Nam

NOMINATION COMMITTEE

Shum Tin Ching *(Chairman)*
Cheung Wai Bun, Charles, JP
Gu Yunchang

JOINT COMPANY SECRETARIES

Cheuk Hiu Nam
Wong Tak Yee, *FCS, FCIS*

AUTHORISED REPRESENTATIVES

Cheuk Hiu Nam
Wong Tak Yee

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

As to Hong Kong law:
Mayer Brown

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Wing Lung Bank Limited
Nanyang Commercial Bank
Chong Hing Bank Limited
Shanghai Pudong Development Bank
Industrial and Commercial Bank of China Limited
Banco Tai Fung

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTERS

Room 1403, 9 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 59, Gu Jia Ying Road
Xuanwu District
Nanjing
China

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR IN HONG KONG

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

WEBSITE

www.jiayuanintl.com

STOCK CODE

2768

COMPANY PROFILE

ABOUT JIAYUAN

Jiayuan International Group Limited (the "Company" and together with its subsidiaries, collectively as the "Group") (Stock Code: 2768) is an established property developer of large-scale residential complexes and commercial complexes in the People's Republic of China ("PRC"). On 8 March 2016 (the "Listing Date"), the Company completed the initial public offering with its shares listed on the Main Board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

With over 20 years of experience in property development, the Group develops property projects through comprehensive planning, meticulous quality control, sophisticated operating systems and experienced professional teams to meet the needs of different regions and successfully consolidate the "Jiayuan" brand.

As of 31 December 2018, the Group has a portfolio of 45 property projects in China, covering the cities: Nanjing, Yangzhou, Changzhou, Nantong, Taizhou, Zhenjiang, Suqian and Suzhou. Since 2016, the Group has taken the lead in entering Guangdong-Hong Kong-Macao Greater Bay Area, and has successively obtained a number of quality projects in Shenzhen, Jiangmen and Macau. In 2018, it established a joint venture company in Hong Kong to formally enter the Hong Kong real estate market; and purchased the quality properties of Shanghai from Mr. Shum Tin Ching, Chairman of the Group ("Mr. Shum"), thus enhancing its brand influence in the Yangtze River Delta Region. In addition, the Group also succeeded in expanding its business coverage to key provincial capital cities, including Guiyang and Urumqi. The Group also ventured into countries and regions along the "Belt and Road" initiative, such as acquiring fine land parcels in Cambodia. In addition, the Group is pending to acquire various projects located in major cities of Anhui province from Mr. Shum, signifying a new level in the Group's international development.

The Group's residential and commercial complexes have been or will be developed into mixed-use community centres, which are designed to provide a high level of convenience and enjoyment to customers. In this regard, the Group strives to infuse the following key values into the developments:

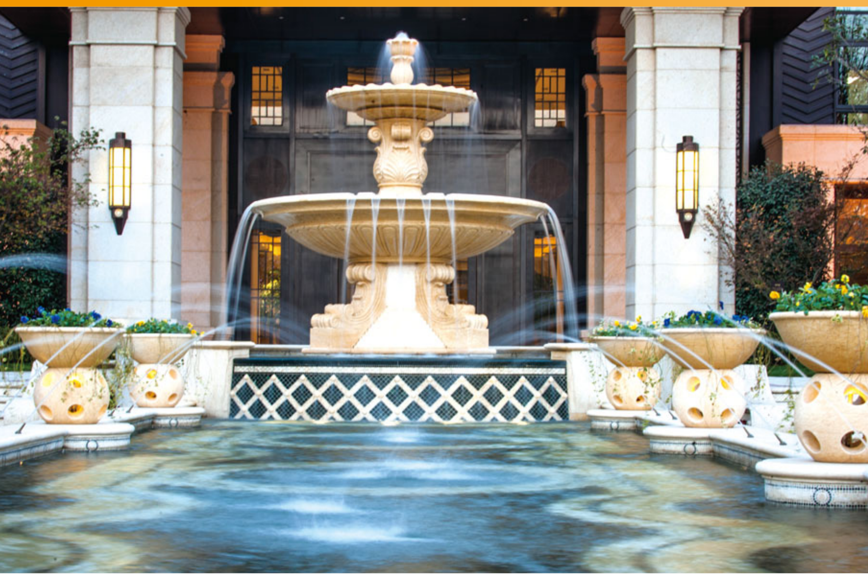
(i) Education value: The Group believes that education is of paramount importance to customers as parents. Therefore, the Group focuses on selecting locations with relatively mature school net. In addition, the Group has participated in the construction of five schools in our developed property projects, aiming at building an excellent school net;

(ii) Leisure value: It is the Group's general practice to space a large portion of its site area for the construction of classical landmarks, European or Japanese theme parks and plazas, aiming at enhancing the visual attraction of properties and bringing leisure enjoyment to our customers; and

(iii) Commercial value: The residential properties under the Group also develop retail stores and shopping malls, providing a "one-station" shopping experience to our customers and taking care of the daily needs of residents and citizens nearby.

Therefore, the Group believes that the quality property development projects under the Group are or will be well received in the locations in which the Group operates or plans to expand operation.

CHAIRMAN'S STATEMENT



Dear **Shareholders**,

In 2018, under the regulatory keynote of "property is for living but not for speculation" of the central government, the growth of the national property market maintained a stable trend. Market expectation became more rational. With respect to commodity housing, the growth rate of both sales area and sales amount weakened, whereas the absolute value of both sales area and sales amount still reached record high.

Amid the rapidly changing market environment, the Group was well prepared and demonstrated its proactive responsiveness. Under the city-specific adjustment and control measures, the Group achieved excellent operating results with an increase in both contracted sales volume and selling price: contracted sales and selling price amounted to RMB20.18 billion and RMB11,292 per square meter ("sq.m.") for the year respectively, representing a substantial increase of 94.6% and 28.1% respectively year-on-year, by leveraging our precise judgement on the demands of regional markets where we operate, adjustment to our product portfolio to cater sales trend, adherence to our core value of "Quality is an unyielding principle" and reputation and premium arising from our focus on cities where we operate for years. In addition, by adopting a strategy of expansionary development and prudent investment continuously during the year, the Group focused on deploying in cities with strong market potential and robust investment returns within metropolitan circles such as Yangtze River Delta region and the Guangdong-Hong Kong-Macao Greater Bay Area, being centered at first-tier and second-tier cities. The Group acquired 13 premium projects with an additional total gross floor area ("GFA") of approximately 3.9 million sq.m. and ventured into new regions, including Hong Kong, Shanghai, Guangdong, Guizhou, Xinjiang and Cambodia, through tender and bidding, acquisition and merger, joint development and so on, in order to drive its performance growth in the future.

The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area was officially promulgated on 18 February 2019. With comprehensive plans for strategic positioning, space layouts and development goals, the Guangdong-Hong Kong-Macao Greater Bay Area will be a first-class bay area at international level. The Group, having planned for the strategic layout of the Guangdong-Hong Kong-Macao Greater Bay Area since 2016, now has land reserves of approximately 1.4 million sq.m. in the Greater Bay Area. The Group will take the initiative to participate in construction of the Greater Bay Area in line with the national development strategy and embrace opportunities and missions bestowed by this era.

Looking forward to 2019, the Group will face common problems of long-term mechanism of regulatory and control measures, complex financial market environment and contiguous industry competition. Under the strategic goal of "expansion and strengthening", the Group will adapt to changing situations and control risks with prudent judgment while actively taking opportunities for project merger and acquisition to increase its premium land reserves in a diversified manner and fully enhance its core competitiveness in each segment of the property value chain. The Group will continue to pursue the core value of "Quality is an unyielding principle" with a view to create shareholders' value.

Jiayuan International Group Limited
Shum Tin Ching
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. Market Review

In 2018, the PRC effectively responded to the external environment. Under the background that the supply-side structural reform and the Reform and Opening-Up of the PRC have been stepped up, the economic and trade conflicts between China and the U.S. have been gradually resolved under a positive growth momentum. With the positioning of "property is for living but not for speculation" for the PRC's real estate market, and directed by the category-specific and city-specific adjustment and control measures of the central government, the control policies in different regions kept intensifying. After a process of partial overheating to overall cooling down of the property market, current market expectation underwent some positive changes, while staged outcomes were achieved in such policy implementation.

Looking back in 2018, the real estate market in the PRC maintained a steady growth. According to the data from the National Bureau of Statistics, from January to December in 2018, the investment in national property development amounted to approximately RMB12,026.4 billion, representing a year-on-year increase of approximately 9.5%. The sold area of commodity properties amounted to approximately 1,716.5 million sq.m., representing an increase of approximately 1.3%. The sales amount of commodity properties amounted to approximately RMB14,997.3 billion, representing an increase of approximately 12.2%.

II. Business review

Record High Sales

Taking an overview of 2018, the Group continued to develop by surmounting difficulties and precisely grasping opportunities for development brought by the PRC's continuous economic growth, implementing the development model of "focusing on real

estate with diversification", the Group recorded a significant increase in sales. As of 31 December 2018, the contracted sales of the Group amounted to approximately RMB20.18 billion, representing an increase of approximately 94.6% compared to last year. Contracted sales area of the Group amounted to approximately 1,790,000 sq.m., representing a year-on-year increase of approximately 51.8%. The average price of contracted sales amounted to approximately RMB11,292 per sq.m., representing a year-on-year increase of approximately 28.1%.

National Layout Highlighting Strategic Values

The Group fully understood that land reserves are important foundation for development for property developers. In 2018, the Group ventured into certain key cities with high growth potentials and acquired 13 premium projects of gross GFA reaching 3.9 million sq.m. at a low premium in eight regions, including Hong Kong, Shanghai, Taizhou, Changzhou, Jiangmen, Guiyang, Urumqi and Cambodia, through project merger and acquisition, tender and bidding in the public market, joint development and so on. Besides, in terms of regional development strategy, the Group will continue to strictly follow the "13th Five-Year Plan" of the PRC and maintain its focus on four main areas, namely the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta Economic Zone and key provincial capital cities, as well as cities along the "Belt and Road" initiative, with development of large-scale residential and commercial complex projects, increasingly diversifying businesses and further uplifting land values.

Layout of the Guangdong-Hong Kong-Macao Greater Bay Area Taking Shape

The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area has been issued by the government, stating the intention to build the Greater Bay Area into an international center of technology and innovation. As one of the regions with the best comprehensive strengths, the best openness and the most vivid economy in the PRC, occupying a land area of 56,000 square kilometers and with an ordinary population of more than 70 million, the Greater Bay Area is considered a major driver for global economic growth in the future. In 2016, the Group took the lead in entering city clusters in the Greater Bay Area and has obtained premium land parcels in Hong Kong, Macau, Shenzhen and other cities of Guangdong Province, so as to derive benefits from the economic boom in the Greater Bay Area. As high-end talents keep moving to the region and with increasingly better infrastructure and supporting facilities for daily living, the Group anticipated that the Greater Bay Area will then become a high-quality living sphere accessible within one hour. There will be immense potential of appreciation for the properties in the region.

Embarking upon Property Management Business and Leveraging on Synergy among Segments

In 2018, the Chairman of the Group intended to boost its profitability by injecting property management assets. It is expected to provide strong support to the property sales business of the Group in the future. The property projects managed by Zhejiang JiaYuan Property Management Services Group Co., Ltd.* (浙江佳源物業服務集團有限公司) are located mainly in provinces including Zhejiang, Jiangsu and Anhui. The managed properties totaled 121 projects, covering residential properties, commercial offices and urban complexes, including 104 residential communities, 14 commercial properties and three other properties, with total contracted GFA under management of more than 30,000,000 sq.m.. A number of these projects have been awarded "Provincial Excellence" and "Municipal Excellence" accolades as role-model residential (building) projects of property management, as well as "Golden Keys 6S Management Innovation Award" granted by Golden Keys China Alliance (中國金鑰匙聯盟). The Group believes that its businesses will continue to drive growth for the Group's long-term development, with full synergy among them.

Broadening Financing Channels and Boosting Financial Strengths

The Group strongly believes that solid financial strengths are important pillars supporting its diversified business development. Therefore, the Group strove to speed up cash recovery from property sales and fortified capital management ability during the year, and issued senior notes through various channels to optimize debt structure, including the public issue of 350 million USD-denominated senior notes due 2019 and 400 million USD-denominated senior notes due 2020, thereby further boosting the Group's financial strengths. Meanwhile, the Group was included as a constituent stock of Hang Seng Composite Large and Mid Cap Index and included under the Hong Kong-Shanghai Stock Connect list in September 2018, fully showing the full breadth of recognition of the Group from the capital market.

Sound Investor Relations and Uplift of Corporate Transparency

In 2018, the Group continued to participate in exchanges and road shows held by major institutions, such as the investment summit cum investors' reception day for Hong Kong listed companies 2018 (2018港股上市公司投資峰會暨投資者集體接待日) organised by quanjing.com (全景網), as well as the real estate summit 2018 (2018格隆匯高屋建瓴房地產高峰論壇) and the summit for Hong Kong stock market and overseas investment 2018 (2018決戰港股 • 海外投資系列峰會) organised by Gelonghui (格隆匯). Through such interactions, the Group shared its performance and development with domestic and foreign investment banks, rating agencies, investors and analysts and successfully established sound bilateral channels of communication.

* *For identification purpose only*

Market Recognition for the Group's Overall Performance

In 2018, the Group achieved bright business performance, which was highly regarded by the market. The Group was awarded the "Listed Company with Most Brand Value" under the "2018 Golden Lion Award for Hong Kong Stock Listed Companies" by Sina Finance, the "Listed Company Awards of Excellence 2018 – Main Board (Large Cap)" granted by Hong Kong Economic Journal, and, for the third time in a row, the accolade of "Hong Kong Outstanding Enterprise" awarded by Economic Digest. Meanwhile, a number of property projects under the Group won the accolades from various media and organisations, including "Yangzhou High-quality Property Projects 2018" in respect of Yangzhou Jiayuan Guifu (佳源桂府) awarded by Sina Leju (新浪樂居), "Zhenjiang Investment Value Projects of the Year 2018" in respect of "Zhenjiang Jiayuan Paris Metropolis" (鎮江佳源巴黎都市) awarded by FangTianXia (房天下), the "Best Hot Spring for Healthy Life" in respect of Guangdong Enping, Didu Hot Spring Resort in (廣東恩平帝都溫泉度假酒店) awarded by Guangdong Hot Spring Association (廣東溫泉協會) and "Taixing Most Popular Property Projects" (泰興市最受老百姓歡迎樓盤) and "Taixing High-quality Property Projects" (泰興市品質物業樓盤) in respect of Taizhou Venice Metropolis (泰州佳源威尼斯城) awarded by Taixing Real Estate Association (泰興市房地產協會) and so forth, which were testimony of the influence of the "Jiayuan" brand in the real estate market in the PRC.

Performance of Corporate Social Responsibilities and Fostering Sustainable Development

With devotion and commitment to running the communities in its property projects, the Group performs its corporate social responsibilities to foster the sustainable development of the communities. In 2018, whilst moving towards steady development, the Group also took a positive role in performing its corporate social responsibilities by regularly participating in charitable deeds organised by charitable organisations, such as organising corporate volunteer teams to visit youths and senior citizens in the community organised by the Kwun Tong Methodist Social Service, such conveyed positive energy and encouraged them to face their life with positive attitude. In addition, the Group also pushed ahead with green awareness in the community and encouraged staff members to practice low-carbon living, while fully supporting and participating in charity related to sports and culture.

III. Continuous Expansion of Land Bank

Deeply rooted in the Yangtze River Delta Region for many years, the Group took the lead in entering city clusters of the Guangdong-Hong Kong-Macao Greater Bay Area in 2016. The Group acquired various property projects in the core cities of the Greater Bay Area through project merger and acquisition and joint development. Meanwhile, the Group deployed in provincial capital cities with strong fundamentals and planned for high-quality projects in regions along the "Belt and Road" initiative, with abundant land reserves. As of 31 December 2018, the Group had 45 projects in total, spanning 16 domestic and foreign cities. The Group has land reserves with a total GFA of 9.2 million sq.m., of which 65%, 15%, 13% and 7% are in Yangtze River Delta Region, the Guangdong-Hong Kong-Macao Greater Bay Area, other key provincial capital cities and regions along the "Belt and Road" initiative, respectively. It will be enough to meet the development needs for the next three to five years. Hence, the abundant land reserves will provide strong assurance to the continuous growth of the Group's operating results in the future.

IV. Prospects

In 2019, the Group expects that the government will continue to implement differentiating control policies and speed up the establishment of a long-term mechanism for the real estate market to promote its steady and healthy development. However, the county and township dwellers have an ongoing desire to improve their living conditions since urbanisation is far from over. To embrace the challenges and opportunities brought by the change of the market, the Group will continue to strictly implement prudent financial policies and risk control measures, ensure construction quality and labour safety, strengthen its contracted sales and cash collection and apply strict cost control to strengthen operating cash flows and ensure investment returns.

In addition, the Group will continue to replenish its premium land bank by adopting pragmatic strategies for land acquisition, optimize the strategic layout of various key regions, and develop competitive premium properties to suit the different urbanisation stages of the PRC with a view to meet market preference in different regions. Going forward, while maintaining healthy development, the Group will make flexible adjustments according to market conditions, seek to achieve continuously high-quality and well-coordinated development for overall uplift of profitability, so as to maximise value for its shareholders.

Property Projects

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2018, the Group had investment properties with a total GFA of approximately 0.6 million sq.m. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades, through third-party property management firms, in order to enable the Group to select tenants and determine industry composition. The Group's operational model for such integrated commercial complexes is to sell all of the residential properties and 50.0% of the commercial properties; and retain the ownership of 50.0% of the commercial properties for investment properties.

Details of contracted sales breakdown of the Group by major projects are as follows:

Project		Throughout Year 2018			Throughout Year 2017		
		Contracted sales RMB (million)	Contracted GFA (sq.m.)	Average selling price ("ASP")	Contracted sales RMB (million)	Contracted GFA (sq.m.)	Contracted ASP
1.	Nanjing Zijin Mansion 南京紫金華府	351.8	8,967	39,230	1,544.0	46,696	33,065
2	Taizhou Venice Metropolis 泰州威尼斯城	2,308.6	262,673	8,789	1,268.2	150,871	8,406
3	Suqian Rome Metropolis 宿遷羅馬都市	93.2	19,922	4,678	446.4	96,019	4,649
4	Taizhou Jiayuan Central Plaza 泰州佳源中心廣場	33.0	4,295	7,680	346.9	62,654	5,537
5	Taizhou Jiayuan New World 泰州新天地	111.5	4,875	22,882	237.8	20,738	11,465
6.	Nantong Jiayuan Metropolis 南通佳源都市	1,110.0	142,115	7,811	822.8	106,132	7,752
7.	Yangzhou Jiayuan Centurial City 揚州佳源世紀天城	1,053.1	118,723	8,870	2,222.8	232,091	9,577
8.	Zhenjiang Jiayuan Paris Metropolis 鎮江佳源巴黎都市	765.5	89,117	8,590	390.9	50,512	7,739
9.	Suqian Paris Metropolis 宿遷巴黎都市	183.0	26,334	6,949	375.8	98,310	3,822
10.	Suzhou Jiayuan Metropolis 蘇州佳源都市(海藝豪庭)	1,730.2	95,331	18,149	449.9	31,327	14,363
11.	Yangzhou Centurial Honour Mansion 揚州世紀天城榮御府	3,055.5	301,319	10,140	680.0	70,852	9,597
12	Yangzhou Jiayuan Yurun Guifu 揚州佳源雨潤桂府	3,141.0	217,441	14,445	360.6	37,873	9,521
13	Yangzhou Jiayuan Yurun Huafu 揚州佳源雨潤華府	1,319.4	109,244	12,078	291.1	28,705	10,141
14	Suqian The Bund Number One 宿遷外灘壹號	567.7	75,729	7,497	420.2	56,266	7,469
15	Yangzhou Jiayuan Westmount Villa 揚州西峰玖墅	2,470.8	167,286	14,770	–	–	–
16	Hong Kong projects 香港項目 *(Note 1)*	294.9	3,619	81,470	–	–	–
17	Shanghai projects 上海項目 *(Note 2)*	1,106.5	60,601	18,258	1,746.5	89,425	19,530
	Others	484.7	79,618	6,088	512.8	87,605	5,854
Total		20,180.4	1,787,209	11,292	12,116.7	1,266,076	9,570

Note 1

* Hong Kong projects include One Vista (San Hop Lane) and T-Plus

Note 2

* Shanghai projects include Huijing Huating (上海•滙景華庭), Fengcheng Mingdu (上海•奉成名都) and Jiayuan Dream Square (佳源夢想廣場)

Investment Properties

The following table sets out a summary of the Group's investment properties (excluding car parks) as at 31 December 2018:

Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the year ended 31 December 2018 (RMB million)	2017 (RMB million)
Yangzhou				
1. Park Number One 公園一號	721	721	0.3	0.1
2. Jiayuan Centurial Garden 世紀花園	8,653	8,653	0.9	0.6
3. Jiayuan Centurial Scenery Park 佳源世紀景園	915	–	–	–
4. Centurial Honour Mansion 世紀天城榮御府 *(Note)*	4,537	–	–	–
5. Jiayuan Centurial City 佳源世紀天城 *(Note)*	127,002	–	–	–
6. Jiayuan Yurun Guifu 佳源雨潤桂府 *(Note)*	1,588	–	–	–
Taizhou				
7. Jiayuan Central Plaza 佳源中心廣場	47,567	47,567	1.8	0.9
8. Venice Metropolis 威尼斯城 *(Note)*	101,883	–	–	–
9. Jiayuan New World 新天地	25,191	25,191	3.4	1.7
10. Qiangxi Garden 羌溪花苑	2,772	2,772	0.5	0.3
11. Jiayuan Mingfu 佳源名府	14,275	14,275	2.4	–
12. Oriental Bright City 東方不夜城	34,419	34,419	5.8	2.9
13. Quexiandao Number One 鵲仙島一號	10,428	10,028	3.0	1.2
14. Guxi Jiayuan Central Plaza 古溪佳源中心廣場 *(Note)*	39,228	–	–	–
Suqian				
15. Rome Metropolis 羅馬都市	43,886	37,534	3.2	1.6
Changzhou				
16. Jiayuan Central Plaza 佳源中心廣場	49,777	49,777	2.2	–
Nanjing				
17. Zijin Mansion 紫金華府	55,289	–	–	–
Shanghai				
18. Jiayuan Dream Square 夢想廣場 *(Note)*	13,787	13,787	36.8	36.8
19. Fengcheng Mingdu 奉城名都	13,621	13,621	10.7	10.7
20. Huijing Huating 匯景華庭	7,844	7,844	2.7	2.7
Total	603,383	266,189	73.7	59.5

Note: Part of the project is currently under construction.

Land Reserves

The following table sets out a summary of the Group's land reserves by project as at 31 December 2018:

Project		Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
Yangzhou								
1.	Jiayuan Centurial City 佳源世紀天城	Jiangdu District, Yangzhou City, Jiangsu Province	Under development	2021 Q2	Mixed-use	214,260	475,604	100%
2.	Centurial Honour Mansion 世紀天城榮御府	Jiangdu District, Yangzhou City, Jiangsu Province	Under development	2021 Q4	Mixed-use	167,826	496,147	100%
3.	Jiayuan Westmount Villa 佳源西峰玖墅	Hanjiang District, Yangzhou City, Jiangsu Province	Under development	2020 Q2	Residential	143,822	193,575	70%
4.	Jiayuan Centurial Villa 佳源世紀豪園	Jiangdu District, Yangzhou City, Jiangsu Province	Completed	–	Residential	391,088	1,803	100%
5.	Jiayuan Centurial Garden 佳源世紀花園	Jiangdu District, Yangzhou City, Jiangsu Province	Completed	–	Residential	234,671	8,653	100%
6.	Park Number One 公園一號	Guangling District, Yangzhou City, Jiangsu Province	Completed	–	Residential	75,591	721	100%
7.	Jiayuan Centurial Scenery Park 佳源世紀景園	Jiangdu District, Yangzhou City, Jiangsu Province	Completed	–	Residential	60,972	915	100%
8.	Jiayuan Yurun Guifu 佳源雨潤桂府	Guangling District, Yangzhou City, Jiangsu Province	Under development	2020 Q3	Residential	119,973	223,623	100%
9.	Jiayuan Yurun Huafu 佳源雨潤華府	Guangling District, Yangzhou City, Jiangsu Province	Under development	2020 Q4	Residential	91,722	202,509	100%
Nanjing								
10.	Zijin Mansion 紫金華府	Xuanwu District, Nanjing City, Jiangsu Province	Under development	2019 Q4	Residential	339,008	96,101	100%

Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
Taizhou							
11. Youyou Huafu 優優華府	Urban area of Taixing City, Taizhou City, Jiangsu Province	Under development	2022 Q4	Residential	56,910	141,645	100%
12. Venice Metropolis 威尼斯城	Urban area of Taixing City, Taizhou City, Jiangsu Province	Under development	2022 Q3	Residential	660,576	707,182	100%
13. Taixing Jiayuan Central Plaza 泰興佳源中心廣場	Huangqiao Town, Taixing City, Jiangsu Province	Completed	–	Mixed-use	81,887	7,181	100%
14. Jiayuan Mingfu 佳源名府	Huangqiao Town, Taixing City, Jiangsu Province	Under development	2019 Q4	Mixed-use	42,054	13,483	100%
15. Jiayuan New World 新天地	Taixing City, Taizhou City, Jiangsu Province	Completed	–	Mixed-use	190,802	93,469	100%
16. Qiangxi Garden 羌溪花苑	Taixing City, Taizhou City, Jiangsu Province	Completed	–	Residential	69,486	5,846	100%
17. Guxi Jiayuan Central Plaza 古溪佳源中心廣場	Guxi Town, Taixing City, Jiangsu Province	Completed	–	Mixed-use	83,048	148,347	100%
18. Oriental Bright City 東方不夜城	Jiangyan District, Taizhou City, Jiangsu Province	Completed	–	Residential	77,021	34,419	100%
19. Oriental Paris City 東方巴黎城	Jiangyan District, Taizhou City, Jiangsu Province	Under development	2019 Q4	Residential	231,702	69,515	100%
20. Quexiandao Number One 鵲仙島一號	Jiangyan Qinhu scenic area, Taizhou City, Jiangsu Province	Completed	–	Residential	68,330	10,028	100%
21. Jiayuan Central Plaza 佳源中心廣場	Qintong Town,Taizhou City, Jiangsu Province	Under development	2019 Q4	Mixed-use	15,702	15,702	100%
Suzhou							
22. Jiayuan Metropolis (Harbourview) 佳源都市(海藝豪庭)	Taicang County, Suzhou City, Jiangsu Province	Under development	2020 Q4	Residential	52,988	168,118	100%

Project	Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
Suqian							
23. Elite International Garden 名人國際花園	Sucheng District, Suqian City, Jiangsu Province	Completed	–	Residential	53,970	389	90%
24. Park Number One 公園一號	Sucheng District, Suqian City, Jiangsu Province	Completed	–	Residential	126,183	33,206	90%
25. Paris Metropolis 巴黎都市	Siyang County, Suqian City, Jiangsu Province	Under development	2023 Q4	Residential	220,520	538,373	90%
26. Rome Metropolis 羅馬都市	Siyang County, Suqian City, Jiangsu Province	Under development	2020 Q4	Residential	302,505	713,336	100%
27. The Bund Number One 外灘一號	Siyang County, Suqian City, Jiangsu Province	Under development	2021 Q2	Residential	83,991	218,245	100%
Changzhou							
28. Jiayuan Central Plaza 佳源中心廣場	Xueyan Town, Changzhou City, Jiangsu Province	Completed	–	Mixed-use	58,601	50,508	100%
29. Junchen Fu 君宸府	Tianning District, Changzhou City, Jiangsu Province	Proposed for development	2020 Q4	Residential	26,768	77,075	50.5%
30. Jiayuan YueFu 悅府	Xinbei District, Changzhou City, Jiangsu Province	Under development	2020 Q2	Residential	17,996	47,692	100.0%
Nantong							
31. Jiayuan Metropolis 佳源都市	Tongzhou District, Nantong City, Jiangsu Province	Under development	2021 Q2	Residential	198,434	449,288	100%
Zhenjiang							
32. Jiayuan Paris Metropolis 佳源巴黎都市	Runzhou District, Zhenjiang City, Jiangsu Province	Under development	2020 Q3	Residential	119,607	203,919	100%
Shenzhen							
33. Shenzhen Dingxi 深圳鼎曦 *(Note 1)*	Luohu District, Shenzhen, Guangdong Province	Proposed for development	2022 Q2	Mixed-use	4,940	40,790	100%
34. Shenzhen Songling 深圳松齡	Bao'an District, Shenzhen, Guangdong Province	Proposed for development	2020 Q2	Mixed-use	4,281	38,100	100%

Note 1 The land use right certificate is not yet obtained. The project company has not yet become a subsidiary of the Group as the acquisition is still in progress.

Project		Location	Status	Expected Completion Date	Project Type	Site Area (sq.m.)	Total GFA (sq.m.)	Ownership Interest %
Macau								
35.	Ocean Hill 悅峯	Taipa District, Macau	Proposed for development	2022 Q4	Residential	5,597	60,969	100%
Jiangmen								
36.	Jiayuan Didu Hot Spring 佳源帝都溫泉山莊	Enping County, Jiangmen City, Guangdong Province	Proposed for development	2022 Q4	Residential	593,637	1,180,000	90%
Cambodia								
37.	Cambodia, Phnom Penh 柬埔寨金邊 (*Note 1*)	Chroy Changvar District, Phnom Penh, Cambodia	N/A	N/A	Residential	608,140	608,140	100%
Urumqi								
38.	Jiayuan Metropolis 佳源都市	Economic and Technological Development District, Urumqi City, Xinjiang	Under development	2021 Q4	Residential	74,000	344,120	90%
Guiyang								
39.	Heng Feng Jia Yuan 恒豐佳源 (*Note 2*)	Nanming District, Guiyang City, Guizhou Province	Proposed for development	2023 Q1	Residential	120,000	856,375	61%
Hong Kong								
40.	One Vista (San Hop Lane) 匯賢一號（新合里）	Nos. 1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong	Under development	2019 Q3	Mixed-use	1,793	29,925	70.1%
41.	Success Centre 成功中心	Nos. 26–38 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong	Under development	2020 Q2	Mixed-use	1,394	22,205	70.1%
42.	T-plus 菁雋	No. 2 Tsing Min Path, Tuen Mun, New Territories, Hong Kong	Under development	2019 Q3	Residential	2,202	21,147	70.1%
Shanghai								
43.	Fengcheng Mingdu 佳源奉城名都	Fengxian District, Shanghai	Completed	–	Mixed-use	8,442	68,892	90.0%
44.	Huijing Huating 匯景華庭	Fengxian District, Shanghai	Completed	–	Mixed-use	5,162	90,723	90.0%
45.	Jiayuan Dream Square 上海夢想廣場	Fengxian District, Shanghai	Under development	2022 Q4	Mixed-use	31,528	433,654	90.0%
Project Total						6,139,130	9,241,657	

Note 1

The Land in Cambodia is held to earn rentals and capital appreciation.

Note 2

The target land is still under framework agreements and land use right certificate is not yet obtained.

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from (i) property development and (ii) property investment. For the year ended 31 December 2018, revenue of the Group amounted to approximately RMB10,458.8 million, representing an increase of approximately 37.5% from approximately RMB7,606.5 million in 2017. Profit and total comprehensive income for the period attributable to the owners of the Company in 2018 was approximately RMB1,794.4 million, representing an increase of approximately 34.7% from approximately RMB1,332.5 million in 2017.

Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when the completed property is transferred to customers. Revenue derived from property development increased by approximately 37.9% to approximately RMB10,381.9 million in 2018 from approximately RMB7,529.3 million in 2017. The increase was mainly due to the delivery of properties pre-sold under Jiayuan Centurial City in Yangzhou and Jiayuan Dream Plaza in Shanghai upon their completion in 2018.

Property Investment

The Group's property investment mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and carparks). Revenue generated from property investment amounted to approximately RMB77.0 million in 2018 from approximately RMB77.2 million in 2017, representing a decrease of approximately 0.3%. There were no significant change between 2018 and 2017.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 28.4% to approximately RMB3,306.3 million in 2018 from approximately RMB2,574.8 million in 2017, while the Group's gross profit margin decreased to 31.6% in 2018 as compared to the gross profit margin of 33.8% in 2017. The decrease in gross profit margin was due to the higher construction cost incurred in 2018.

Other Income, Gains and Losses

The Group had other income of approximately RMB336.4 million and other losses of approximately RMB257.4 million in 2018, totalling approximately RMB79.0 million at a net gain. The Group had other income of approximately RMB58.6 million and other gains of approximately RMB79.0 million in 2017, totalling approximately RMB137.6 million at a gain. The significant change of other income, gains and losses was mainly attributable to foreign exchange loss of approximately RMB167.0 million in 2018 from foreign exchange gain of approximately RMB78.4 million in 2017, which was mainly as a result of the depreciation of RMB against USD that contributed to the appreciation of the value of the Group's USD-denominated senior notes.

Change in Fair Value of Investment Properties

The Group's change in fair value of investment properties increased to approximately RMB875.9 million in 2018 from approximately RMB215.4 million in 2017. The increase by approximately 306.6% was mainly due to the inclusion of new investment properties under construction in 2018 such as Venice Metropolis and Guxi Jiayuan Central Plaza in Taizhou.

Distribution and Selling Expenses

The distribution and selling expenses increased to approximately RMB297.6 million in 2018 from approximately RMB166.5 million in 2017. The increase by approximately 78.7% was mainly attributable to an increase in sales commission to boost up the sales.

Administrative Expenses

The Group's administrative expenses increased by approximately 44.1% to approximately RMB310.3 million in 2018 from approximately RMB215.3 million in 2017, which was mainly attributable to the increase of staff salaries and allowances resulting from the expansion of operation scale of the Group.

Finance Costs

The Group's finance costs increased to approximately RMB208.2 million in 2018 from approximately RMB177.3 million in 2017. The increase in finance cost of approximately 17.4% was attributable to the increase in senior notes issued in 2018.

Income Tax Expense

The Group's income tax expense increased to approximately RMB1,594.1 million in 2018 from approximately RMB1,022.3 million in 2017. The Group's income tax expense included payments and provisions made for enterprise income tax ("EIT") and land appreciation tax ("LAT") less deferred taxation during the year. The increase by approximately 55.9% was due to the increase in the Group's profit from the property development segment in 2018, which was partially offset by the increase in deferred taxation expense for the year ended 31 December 2018.

Profit and Total Comprehensive Income attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by approximately 34.2% to approximately RMB1,791 million in 2018 from approximately RMB1,334 million in 2017 which was in line with the expansion of the Group's operation in 2018.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2018, the Group had an aggregate of pledged/restricted bank deposits and bank balances and cash of approximately RMB5,333.6 million (as at 31 December 2017: approximately RMB6,805.4 million), representing a decrease of approximately 21.6% as compared to that as at 31 December 2017. As at 31 December 2018, bank deposits of approximately RMB1,292 million (as at 31 December 2017: approximately RMB837 million) were pledged to secure bank borrowings raised by the Group.

The Group had restricted bank deposits of approximately RMB70 million as at 31 December 2018 (as at 31 December 2017: approximately RMB139 million) that were restricted for use in specific property development projects.

Borrowings and the Group's Pledged Assets

As at 31 December 2018, the Group had bank and other borrowings of approximately RMB12,575.1 million (as at 31 December 2017: approximately RMB11,729.9 million). Amongst the borrowings, approximately RMB4,801.3 million (as at 31 December 2017: approximately RMB3,372.6 million) will be repayable within one year and approximately RMB7,773.8 million (as at 31 December 2017: approximately RMB8,357.3 million) will be repayable after one year.

As at 31 December 2018, bank and other borrowings of approximately RMB12,575.1 million (as at 31 December 2017: approximately RMB11,729.9 million) were secured by bank balances, land use rights and properties of the Group. As at 31 December 2018, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB14,917 million (as at 31 December 2017: approximately RMB16,832 million).

Senior Notes

In April 2017, the Company issued senior secured notes with a principal amount of US$50,000,000 due in 2019 (the "April 2019 Senior Notes"). The April 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, matured in April 2019.

In May 2017, the Company issued senior secured notes with a principal amount of US$50,000,000 due in 2019 (the "May 2019 Senior Notes"). The May 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, matured in May 2019.

In October 2017, the Company issued senior secured notes with a principal amount of US$160,000,000 due in 2018 (the "October 2018 Senior Notes"). The October 2018 Senior Notes, bearing interest at a fixed rate of 8.0% per annum with interest payable semi-annually in arrears, matured in October 2018, and have been repaid during the year ended 31 December 2018.

In November 2017, the Company issued senior secured notes with a principal amount of US$300,000,000 due in 2018 (the "November 2018 Senior Notes") which are listed on the Stock Exchange (Stock Code: 5016). The November 2018 Senior Notes, bearing interest at a fixed rate of 8.25% per annum with interest payable semi-annually in arrears, matured in November 2018, and have been repaid during the year ended 31 December 2018.

In January 2018, the Company issued senior secured notes with a principal amount of US$250,000,000 due in January 2019 (the "January 2019 Senior Notes I") which are listed on the Stock Exchange (Stock Code: 5088). The January 2019 Senior Notes I, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, will mature in January 2019.

In January 2019, the Company repaid in full all the outstanding principal and interest.

In April 2018, the Company issued senior secured notes with a principal amount of US$100,000,000 due in January 2019 (to be consolidated with and form a single series with the US$250,000,000 8.125% January 2019 Senior Notes I issued in January 2018) (the "January 2019 Senior Notes II") which are listed on the Stock Exchange (Stock Code: 5088). The January 2019 Senior Notes II, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, will mature in January 2019.

In January 2019, the Company repaid in full all the outstanding principal and interest.

In October 2018, the Company issued senior secured notes with a principal amount of US$160,000,000 due in October 2019 (the "October 2019 Senior Notes") (in exchange for the October 2018 Senior Notes due in 2018) which are listed on the Frankfurt Stock Exchange. The October 2019 Senior Notes, bearing interest at a fixed rate of 10% per annum with interest payable semi-annually in arrears, will mature in October 2019.

On 22 October 2018, the Company issued senior secured notes with a principal amount of US$225,000,000 due in October 2020 (the "October 2020 Senior Notes I") which are listed on the Stock Exchange (Stock Code: 5190). The October 2020 Senior Notes I, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature on 22 October 2020.

On 9 November 2018, the Company issued senior secured notes with a principal amount of US$70,000,000 (to be consolidated with and form a single series with the US$225,000,000 12% October 2020 Senior Notes I issued in October 2018) due in October 2020 (the "October 2020 Senior Notes II") which are listed on the Stock Exchange (Stock Code: 5190). The October 2020 Senior Notes II, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature on 22 October 2020.

On 6 December 2018, the Company issued senior secured notes with a principal amount of US$80,000,000 due in October 2020 (to be consolidated with and form a single series with the US$225,000,000 12% October 2020 Senior Notes I issued in October 2018 and the US$70,000,000 12% October 2020 Senior Notes II issued in October 2018) (the "October 2020 Senior Notes III") which are listed on the Stock Exchange (Stock Code: 5190). The October 2020 Senior Notes III, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature on 22 October 2020.

On 20 December 2018, the Company issued senior secured notes with a principal amount of US$25,000,000 due in October 2020 (to be consolidated with and form a single series with the US$225,000,000 12% October 2020 Senior Notes I issued in October 2018, the US$70,000,000 12% October 2020 Senior Notes II issued in November 2018 and the US$80,000,000 12% October 2020 Senior Notes III issued on 6 December 2018) (the "October 2020 Senior Notes IV") which are listed on the Stock Exchange (Stock Code: 5190). The October 2020 Senior Notes IV, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature on 22 October 2020.

Net Gearing Ratio

The net gearing ratio of the Group increased to 161.6% from 125.6% as at 31 December 2017, which was mainly due to the Group's continuous expansion of land bank, in order to meet the development needs in the future. The net gearing ratio was measured by net debt (bank and other borrowings and senior notes as mentioned above net of bank balances and cash and pledged/restricted bank deposits) over the total equity.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, deposits paid for a life insurance policy, borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations for the year ended 31 December 2018, though RMB depreciated against U.S. dollar and Hong Kong dollar, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. The Group considers that no foreign exchange hedging arrangement is needed currently.

Commitments

As at 31 December 2018, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB6,126.6 million (as at 31 December 2017: approximately RMB3,700.3 million).

Contingent Liabilities

As at 31 December 2018, the Group had provided guarantees amounting to approximately RMB6,358.6 million (as at 31 December 2017: approximately RMB4,816.7 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee will be released upon the purchaser obtaining the relevant building ownership certificate and completion of the relevant mortgage registration. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the year ended 31 December 2018 as the possibility of default by the purchasers of the Group's properties is remote.

Material Acquisitions and Disposals

On 8 March 2018, the Group and Guizhou Hengfeng entered into the cooperation agreement, pursuant to which the parties agreed to (a) form a joint venture company on 61:39 basis for the purpose of investing in the shanty town redevelopment project in respect of a parcel of land located at Nanming District, Guiyang City, Guizhou Province in the PRC, and (b) regulate their respective rights and obligations in Guiyang JV. The contribution to the registered capital and the project capital of Guiyang JV by the Group shall be in an aggregate amount of RMB3,739,300,000. Currently, Guiyang JV has been established which is owned as to 61% and 39% by the Group and Guizhou Hengfeng respectively and it is accounted for as a non-wholly owned subsidiary of the Company. The Guiyang JV is principally engaged in acquisition of the target land, project financing, investment, development and sale of the Guiyang Project. Please refer to the Company's announcement dated 8 March 2018 for further details.

On 24 May 2018, the Group and Mr. Tang Shing Bor entered into the sale and purchase agreement, whereby the Group agreed to acquire 70.1% of the entire issued share capital of Jiayuan StanGroup, which indirectly holds (a) properties located at Nos. 1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong; (b) property located at Nos. 26–38 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong; and (c) property located at No. 2 Tsing Min Path, Tuen Mun, New Territories, Hong Kong, for a consideration of HK$2,620,256,684 subject to adjustment to the consideration. Please refer to the Company's announcement dated 24 May 2018 for further details.

On 5 June 2018, the Company entered into the sale and purchase agreement (the "Shanghai Sale and Purchase Agreement") with Mr. Shum, pursuant to which, the Company conditionally agreed to acquire and Mr. Shum conditionally agreed to sell the entire issued share capital of Huyuan Holdings Limited, indirectly holding 90% equity interest in certain properties located in Shanghai, at a consideration of HK$693,628,828, which was settled (i) as to HK$277,451,552 by the allotment and issue of the 19,566,400 consideration shares (the "Consideration Shares") by the Company to Mr. Shum or his nominee(s) at the issue price of HK$14.18 per Consideration Share; and (ii) as to HK$416,177,276 in cash. The Consideration Shares ranked pari passu in all respects with the existing shares in issue at the date of allotment and issue of the Consideration Shares. The aggregate nominal value of the Consideration Shares (with a par value of HK$0.01 each) was approximately HK$195,664. The issue price of HK$14.18 per Consideration Share represented a discount of approximately 3.54% to the closing price per share of HK$14.70 as quoted on the Stock Exchange on 5 June 2018, being the date of the Shanghai Sale and Purchase Agreement. The Shanghai Sale and Purchase Agreement and the transactions contemplated thereunder were subject to the independent shareholders' approval which was obtained at the extraordinary general meeting of the Company held on 10 August 2018.

On 6 March 2018, the Group acquired 90% equity interest in Enping Empire Resort and Spa Development Limited ("Enping Empire") for a consideration of RMB495,000,000. Enping Empire is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

On 9 April 2018, the Group acquired 90% equity interest in Xinjiang Jiayuan Property Development Co., Limited ("Xinjiang Jiayuan") (formerly known as 烏魯木齊市創達商貿有限公司) for a consideration of RMB1,240,200,000. Xinjiang Jiayuan is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Save as disclosed above, the Group did not have any material acquisitions and disposals during the year ended 31 December 2018.

Events after the Reporting Period

On 19 September 2018, the Company entered into the sale and purchase agreement (the "Property Management Sale and Purchase Agreement") with Mr. Shum, pursuant to which, the Company conditionally agreed to acquire and Mr. Shum conditionally agreed to sell the entire issued share capital of Chuangyuan Holdings Limited, indirectly holding the entire equity interest in PRC operating companies conducting property management business, at a consideration of HK$688,974,000, which was fully settled by the allotment and issue of the 50,180,189 consideration shares by the Company to Mr. Shum or his nominee(s) at the issue price of HK$13.73 per consideration share. All the consideration shares ranked pari passu in all respects with the existing shares in issue at the date of allotment and issue of the consideration shares. The aggregate nominal value of the consideration shares (with a par value of HK$0.01 each) was approximately HK$501,801.89. The issue price of HK$13.73 per consideration share represented a discount of approximately 5.31% to the closing price per share of HK$14.50 as quoted on the Stock Exchange on 19 September 2018, being the date of the Property Management Sale and Purchase Agreement. The Property Management Sale and Purchase Agreement and the transactions contemplated thereunder were subject to the independent shareholders' approval which was obtained at the extraordinary general meeting of the Company held on 15 January 2019.

On 19 March 2019, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with Mr. Shum. Pursuant to the MOU, the Company intends to acquire, and Mr. Shum intends to sell, the entire issued share capital in a company to be incorporated in the British Virgin Islands (the "Target Company", together with its subsidiaries, the "Target Group"), which will own, through its direct and/or indirect subsidiaries, equity interests in all the property development project companies in Anhui Province, the People's Republic of China ("the PRC"), owned by Mr. Shum and/or companies controlled by him after a corporate reorganization. Please refer to the Company's announcement dated 19 March 2019 for details.

Future Plans for Material Investments

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be funded by internal resources and external borrowings. Save as disclosed above, the Group did not have any future plans for material investments as at the date of this annual report.

Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2018, the Group had approximately 670 employees (as at 31 December 2017: 441 employees). For the year ended 31 December 2018, the Group incurred employee costs of approximately RMB98.7 million (as at 31 December 2017: approximately RMB71.2 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 as incentive for eligible employees.

Use of Proceeds

The following table sets out the utilisation and breakdown of the actual use of the net proceeds for the Group's first placing and subscription which was announced on 6 June 2017 (the "First Placing and Subscription") and second placing and subscription which was announced on 18 December 2017 (the "Second Placing and Subscription"), respectively, as at 31 December 2018:

Date of announcement	Fund raising activity	Date of completion	Net proceeds raised	Intended use of the net proceeds as disclosed in the announcement	Actual use of the net proceeds as of 31 December 2018	Actual utilisation as at 31 December 2018
6 June 2017	First Placing and Subscription	9 June 2017 and 19 June 2017	Approximately HK$1,166.5 million	Acquisition of land bank and general working capital.	Approximately HK$1,166.5 million was used for acquisition of land bank, namely, the Macau Land as disclosed in the announcement of the Company dated 6 September 2017.	All net proceeds were utilized in accordance with the intended uses of the net proceeds as disclosed in the announcement.
18 December 2017	Second Placing and Subscription	27 December 2017 and 28 December 2017	Approximately HK$1,399.8 million	Acquisition of land bank and general working capital.	Approximately HK$111.1 million was used for acquisition of land bank, namely, a parcel of land in Jiangmen, PRC in March 2018.	The Unutilised Portions in the amount of approximately HK$1,216.3 million were used subsequent to 27 March 2018 in the following manners:
					Approximately HK$67.8 million was used for interest payments by the Group in respect of its bank borrowings and debt securities.	Approximately HK$601.2 million was used for acquisition of land bank in Hong Kong, as disclosed in the announcement of the Company dated 24 May 2018.

Date of announcement	Fund raising activity	Date of completion	Net proceeds raised	Intended use of the net proceeds as disclosed in the announcement	Actual use of the net proceeds as of 31 December 2018	Actual utilisation as at 31 December 2018
					Approximately HK$4.6 million was used as general working capital of the Group.	Approximately HK$279.3 million was used for acquisition of land bank, namely, parcels of land in Cambodia, as disclosed in the announcement of the Company dated 10 May 2018.
					Approximately HK$1,216.3 million remained unutilized (the "Unutilised Portions"), which was placed with licensed banks in Hong Kong.	Approximately HK$122.7 million was used for acquisition of land bank, namely, a parcel of land in Jiangmen, PRC in March 2018.
						Approximately HK$156.0 million was used for interest payments by the Group in respect of its bank borrowings and debt securities.
						Approximately HK$57.1 million was used for capital contribution to the Group's PRC companies as investment or further investment.
						All net proceeds were utilized in accordance with the intended uses of the net proceeds as disclosed in the announcement.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Shum Tin Ching (沈天晴), aged 60, is the chairman of the board of Directors (the "Board"), the non-executive Director, the chairman of the Nomination Committee of the Company and the founder of the Group. He was appointed as a Director on 5 May 2015 and designated as the non-executive Director on 27 July 2015 for the purposes of enhancing management independence and corporate governance. Mr. Shum's principal responsibilities include overall strategic planning of the Group, and he will not participate in the day-to-day management of the business operations of the Group. He was formerly an executive director of Boyuan Holdings Limited (Stock Code: BHL), a listed company in Australia from October 2015 to June 2018. Mr. Shum graduated from Zhejiang Broadcasting and Television College* (浙江廣播電視大學) and obtained a diploma in Industrial Enterprise Management in December 1986. He was recognised as a senior economist by Human Resource Department of Zhejiang Province* (浙江省人事廳) in December 2006. Mr. Shum has over 20 years of experience in the industry of real estate development. In 1995, he founded Jia Yuan Chuangsheng Holding Group Co., Ltd.* (佳源創盛控股集團有限公司) ("Jia Yuan Chuangsheng") (formerly known as Jiaxing Zujia Property Development Co., Ltd.* (嘉興足佳房地產開發有限公司)), a company principally engaged in property development in Jiaxing, Zhejiang Province of the PRC, and has acted as a director of Jia Yuan Chuangsheng since April 1995. Mr. Shum is also the sole director of the Company's controlling shareholder, Mingyuan Group Investment Limited ("Mingyuan Investment") since 4 May 2015. Mr. Shum is the spouse of Ms. Wang Xinmei and the father of Mr. Shen Xiaodong, a non-executive Director of the Company.

EXECUTIVE DIRECTORS

Mr. Zhang Yi (張翼), aged 47, was appointed as a vice chairman, the president and an executive Director of the Company with effect from 17 February 2019. He is primarily responsible for operation and overall management for the Group. Mr. Zhang has extensive experience in corporate management, industrial investment, mergers and acquisitions, operational integration and capital operation of listed companies.

Prior to joining the Group, from August 2016 to January 2019, Mr. Zhang was an executive director and the chief executive officer of Grandland Holdings Group Co., Ltd. (廣田控股集團有限公司); he was also the chairman of Guangtian Investment Co., Ltd. (廣田投資有限公司) and the chairman of Shenzhen Wanding Futong Equity Investment Management Co., Ltd. (深圳萬鼎富通股權投資管理有限公司).

Mr. Zhang served HNA Group Co., Ltd. (中國海航集團有限公司) from July 1995 to August 2016 and held various positions, which included: a project manager, a manager and a general manager assistant of the planning and finance department of Hainan Airlines, the financial controller and the general manager of Haikou Meilan International Airport Co., Ltd. (海口美蘭國際機場有限公司), the financial controller and the general manager of the planning and finance department of Hainan Airlines Holdings Co., Ltd. (海南航空控股股份有限公司) (formerly known as Hainan Airlines Co., Ltd. (海南航空股份有限公司)) (Stock Code: 600221), which is listed on the Shanghai Stock Exchange, a vice president and the financial controller of Haihang Tourism Holdings (Group) Co., Ltd. (海航旅遊控股(集團)有限公司), the chairman and the chief executive officer of HNA Hotel Holdings (Group) Co., Ltd. (海航酒店控股(集團)有限公司), the chairman and the chief executive officer of Haihang Real Estate Holdings (Group) Co., Ltd. (海航置業控股(集團)有限公司), the chairman and the chief executive officer of Haihang Commerce Holdings (Group) Co., Ltd. (海航商業控股(集團)有限公司) and the chairman, the executive chairman, the chief executive officer and the president of Haihang Industry Holdings (Group) Co., Ltd. (海航實業控股(集團)有限公司).

Mr. Zhang obtained his bachelor's degree in Economics from Wuhan University in June 1995 and his EMBA from Cheung Kong Graduate School of Business (長江商學院) in December 2006. He is now pursuing his EMBA with Tsinghua University PBC School of Finance (清華大學五道口金融學院). He became a senior accountant in July 2005.

Mr. Huang Fuqing (黃福清), aged 57, is the vice chairman of the Board and an executive Director of the Company. He was appointed as an executive Director on 27 July 2015 and the vice chairman of the Board on 19 August 2016. He is primarily responsible for (i) overseeing the day-to-day operation and overall management of the Group, and (ii) the Group's real estate development projects located in Jiangsu Province of the PRC. He is also a director of certain subsidiaries of the Group. Mr. Huang has over 20 years of experience in the industry of real estate development. He has been working as the general manager (in mainland China) of Hong Kong Jia Yuan Holdings Limited ("Hong Kong Jia Yuan") since December 2014 and the general manager of Nanjing Xinhaoning Property Development Co., Ltd.* (南京新浩寧房地產開發有限公司) since September 2014. From September 2013 to December 2014, he took up the position of the general manager of Changzhou Jinyuan Property Development Co., Ltd.* (常州金源房地產開發有限公司) ("Changzhou Jinyuan"). He worked in Zhejiang Jia Yuan Property Group Co., Ltd.* (浙江佳源房地產集團有限公司) ("Zhejiang Jia Yuan Group") from January 2011 till he resigned from the position of the executive general manager in December 2014. Mr. Huang also participated in the preparation for and was responsible for the day-to-day management of Zijin Mansion, the Group's property development project in Nanjing of the PRC which was completed in 2018. Formerly, Mr. Huang served as the general manager of Changzhou Tian Yu Property Development Co., Ltd.* (常州天宇房地產開發有限公司) ("Changzhou Tian Yu") from January 2010 to December 2010, the general manager of Changzhou Zhongchuang Property Development Co., Ltd.* (常州市中創房地產開發有限公司) from December 2002 to December 2009, and the manager of Changzhou City Changxin Property Development Co., Ltd.* (常州市常信房地產開發有限公司) from December 1998 to December 2002.

Ms. Cheuk Hiu Nam (卓曉楠), aged 44, is an executive Director, a joint company secretary and a member of the Remuneration Committee of the Company. Ms. Cheuk was appointed as an executive Director on 27 July 2015. She is primarily responsible for overall administration and human resource of the Group. She is also a director of certain subsidiaries of the Group. Ms. Cheuk has over 15 years of experience in management. Ms. Cheuk has been working as the general manager of Hong Kong Jia Yuan since January 2014. From July 2015 to February 2019, she took up the position of the chief executive officer of the Company. Formerly, Ms. Cheuk worked at Hong Kong Institute of Technology and took up the positions of the Dean of Faculty of Business, the vice president, the chairperson of the Quality Assurance Committee, the chairperson of the Student Affairs Committee, a member of the Board of Governors, a member of the Academic Board and a member of Finance Sub-Committee from February 2003 to November 2013, of which she was responsible for overall management, strategic and academic planning as well as supervising the financial matters and the human resource. Ms. Cheuk graduated from Pace University (New York) and obtained a master degree of science in June 2001. She graduated from University of London and obtained a master degree of science in December 1997. Previously, she graduated from The Chinese University of Hong Kong and obtained a bachelor degree in Business Administration in May 1995.

Mr. Wang Jianfeng (王建鋒), aged 51, is an executive Director of the Company. Mr. Wang was appointed as an executive Director on 27 July 2015. He is primarily responsible for strategic planning and identifying of new real estate development projects for the Group. He is also a director of certain subsidiaries of the Group. Mr. Wang has over 25 years of experience in the real estate development industry. He has been working as the deputy general manager of Hong Kong Jia Yuan since January 2014. Formerly, Mr. Wang worked as the deputy general manager of the strategic development center of Zhejiang Jia Yuan Group from June 2012 to February 2013, the general manager of Huzhou Xinyuan Construction Management Co., Ltd.* (湖州鑫源建設管理有限公司) from December 2009 to June 2012, the general manager of Jia Yuan Chuangsheng from July 2009 to November 2009, the general manager of Hangzhou Yinxi Jiulong Property Development Co., Ltd.* (杭州銀溪九龍房地產開發有限公司) from 2006 to 2008, the deputy general manager of Hangzhou Sanyou Property Development Co., Ltd.* (杭州三優房地產開發有限公司) from 1998 to the end of 2005, and the construction team leader of Shanghai Branch of Ganjianyi Company* (甘建一公司上海分公司) from 1991 to 1998. Mr. Wang graduated from Shanghai Architecture and Engineering College* (上海建築工程學院) and obtained a diploma in Industrial and Civil Architecture in September 1990.

NON-EXECUTIVE DIRECTOR

Mr. Shen Xiaodong (沈曉東), aged 35, was appointed as a non-executive Director of the Company with effect from 17 February 2019. Mr. Shen is the son of Mr. Shum Tin Ching, the chairman, a non-executive Director and a controlling shareholder of the Company.

Mr. Shen has over 10 years' experience in properties industry. He was a vice president of the Group responsible for corporate strategy from October 2015 to February 2019. Mr. Shen was the general manager of Shanghai Dingyuan Property Development Co., Ltd. (上海定源房地產有限公司), which became a subsidiary of the Group since November 2018, from December 2007 to May 2015.

Mr. Shen obtained his bachelor's degree in civil engineering from Zhejiang University City College in 2006 and his master's degree in humanities and social sciences from University of New Castle upon Tyne in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tai Kwok Leung, Alexander (戴國良), aged 61, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr. Tai graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in Commerce and Administration in April 1982. He became an associate member of the Hong Kong Institute of Certified Public Accountants in October 1983.

Mr. Tai has been working as a partner of VMS Securities Limited, a licensed corporation under the Securities and Futures Ordinance (the "SFO") to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities since August 2017.

Mr. Tai is an independent non-executive director, the chairman of the audit committee, and a member of the remuneration committee and nomination committee of G & M Holdings Limited (Stock Code: 6038), an independent non-executive director, the chairman of the remuneration and nomination committee and a member of the audit committee of Anhui Conch Cement Company Limited (Stock Code: 914) and an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of Luk Fook Holdings (International) Limited (Stock Code: 590), an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee, nomination committee and strategic development committee of AAG Energy Holdings Limited (Stock Code: 2686), and an independent non-executive director, the chairman of the audit committee, and a member of the related party transactions control committee of Shengjing Bank Co., Ltd. (Stock Code: 2066), which are all listed on the Main Board of the Stock Exchange. Mr Tai was formerly a non-executive director of First Credit Finance Group Limited (Stock Code: 8215), which is listed on the GEM of the Stock Exchange, from September 2010 to April 2013 and an independent non-executive director of Honghua Group Limited (Stock Code: 196), which is listed on the Main Board of the Stock Exchange, from January 2008 to March 2014. Mr. Tai was also formerly a director of Investec Capital Asia Limited from August 2007 to July 2017. Mr. Tai is a member of Shandong Committee of the Chinese People's Political Consultative Conference.

Dr. Cheung Wai Bun, Charles (張惠彬), JP, aged 82, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company.

Dr. Cheung holds an honorary doctor's degree awarded by John Dewey University of USA in 1984, a master degree in Business Administration and a bachelor of science degree in Accounting and Finance awarded by New York University U.S.A. in June 1962 and February 1960, respectively. He was awarded Listed Company Non-Executive Director Award of 2002 by the Hong Kong Institute of Directors. In December 2010, Dr. Cheung received three awards, namely (1) Outstanding Management Award issued by The Chartered Management Association; (2) Outstanding Director Award issued by The Chartered Association of Directors; and (3) Outstanding CEO Award issued by The Asia Pacific CEO Association.

Dr. Cheung is currently working as a director and the vice chairman of the executive committee of Metropolitan Bank (China) Ltd. (首都銀行(中國)有限公司). In addition, Dr. Cheung is presently a council member of the Hong Kong Institute of Directors, a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly the chief executive and the executive deputy chairman of Mission Hills Group, Hong Kong from 1995 to 2007, and a former director and an adviser of the Tung Wah Group of Hospitals (東華三院) during the period from April 1981 to March 1983.

Dr. Cheung is a chairman of Joy Harvest International Limited. He was formerly a director and supervisor of audit committee of China Resources Bank of Zhuhai Co. Ltd., from December 2009 to January 2016 and an independent non-executive director of Shanghai Electric Group Company Limited (Stock Codes: 2727 (Hong Kong), which is listed on the Main Board of the Stock Exchange, from November 2007 to February 2014, and A Stock 601727 (Shanghai), which is listed on the Shanghai Stock Exchange, from April 2005 to February 2014). He is also an independent non-executive director of Pioneer Global Group Limited (Stock Code: 224), Universal Technologies Holdings Limited (Stock Code: 1026), Modern Dental Group Limited (Stock Code: 3600) and Fullsun International Holdings Group Co., Limited (formerly known as "U-RIGHT International Holdings Limited") (Stock Code: 627), which are all listed on the Main Board of the Stock Exchange. Dr. Cheung is a non-executive director of Galaxy Entertainment Group Limited (Stock Code: 27), which is listed on the Main Board of the Stock Exchange. Dr. Cheung is an independent non-executive director of Yin He Holdings Limited (Stock Code: 8260), which is listed on the GEM of the Stock Exchange. Dr. Cheung was formerly an independent non-executive director and chairman, subsequently Co-chairman of the board of Grand T G Gold Holdings Limited (Stock Code: 8299), from July 2009 to March 2016, and an executive director and the chairman of the board of directors of Roma Group Limited (Stock Code: 8072), from June 2017 to December 2017, which are all listed on the GEM of the Stock Exchange. He was formerly an independent non-executive director of China Financial International Investments Limited (Stock Code: 721), from March 2001 to September 2018, and China Taifeng Beddings Holdings Limited (Stock Code: 873), from April 2017 to July 2018, which are all listed on the Main Board of the Stock Exchange. He possesses extensive banking, finance and commercial experiences.

Mr. Gu Yunchang (顧雲昌) (alias Gu Yongchuang 顧勇闖), aged 75, was appointed as an independent non-executive Director on 12 February 2016 and is a member of each of the Audit Committee and Nomination Committee of the Company. Mr. Gu was the vice chairman of the China Real Estate Research Association* (中國房地產研究會) from 2006 to May 2013 and the vice chairman and secretary-general of the China Real Estate Association* (中國房地產業協會) from 1998 to 2006.

Mr. Gu formerly held different positions of the Ministry of Construction of the PRC (中華人民共和國建設部), including the deputy director at the Policy Research Centre of Ministry of Construction of the PRC* (中華人民共和國建設部政策研究中心) from December 1988 to July 1998, the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction* (中華人民共和國建設部城市住房局) in 1982 and 1985, respectively.

Mr. Gu graduated from Tongji University (同濟大學) and specialised in Urban Planning in July 1966. Mr. Gu specialises in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

Mr. Gu was an independent non-executive director of E-House (China) Holdings Limited (Stock Code: EJ), which is listed on the New York Stock Exchange, from August 2008 to March 2014 and an independent non-executive director and a member of the audit committee, nomination committee and remuneration committee of Sino-Ocean Group Holding Limited (formerly known as "Sino-Ocean Land Holdings Limited") (Stock Code: 3377), which is listed on the Main Board of the Stock Exchange, from June 2007 to March 2016 and an independent non-executive director of COFCO Property (Group) Co., Ltd. (Stock Code: 31), which is listed on the Shenzhen Stock Exchange, from April 2012 to June 2018. Mr. Gu is currently an independent non-executive director of CIFI Holdings (Group) Co., Ltd. (Stock Code: 884) and Sunshine 100 China Holdings Ltd. (Stock Code: 2608), which are all listed on the Main Board of the Stock Exchange. Mr. Gu is also an independent non-executive director of Zhejiang Yasha Decoration Co., Ltd. (Stock Code: 2375), which is listed on the Shenzhen Stock Exchange.

Save as disclosed above, as at the date of this annual report, each of the Directors mentioned above:

(a) did not hold any other position in the material subsidiaries of the Group;

(b) did not hold any directorship in any other listed company in the last three years;

(c) did not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Listing Rules) of the Company; and

(d) is not a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Yuan Zhaolin (袁兆林), aged 48, is the general manager of Hengli Property Nantong Limited (恒力房地產南通有限公司) since June 2016 and the general manager of Yangzhou Mingyuan Property Development Co., Ltd.* (揚州明源房地產開發有限公司) ("Yangzhou Mingyuan"), and has been involved in the Group's business since April 2009. He is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Yangzhou, Jiangsu Province of the PRC.

Mr. Yuan has approximately 14 years of experience in the industry of real estate development. He took up the position of assistant general manager and deputy general manager of Yangzhou Mingyuan from April 2009 to August 2011 and from August 2011 to January 2013, respectively. Mr. Yuan was subsequently promoted to the position of general manager of Yangzhou Mingyuan in January 2013 and has since acted as the general manager of Yangzhou Mingyuan. Mr. Yuan also participated in the preparation for and was responsible for the day-to-day management of the following property development projects in Yangzhou and Nantong: (i) Jiayuan Centurial Garden, (ii) Jiayuan Centurial Villa, and (iii) Nantong Jiayuan Metropolis. Formerly, Mr. Yuan worked as the deputy general manager and was subsequently promoted to the position of general manager of Yangzhou Changxin Real Estate Development Co., Ltd.* (揚州常信房地產開發有限公司), a property developer in China, during the period from January 2003 to April 2009. He worked as an officer in Jiangdu City Affordable Housing Development Center* (江都市經濟適用房發展中心) in 2001. Mr. Yuan graduated from Yangzhou University (揚州大學) with a diploma in Housing Architecture and Engineering in June 1995. He was recognised by Yangzhou Municipal Review Committee of Middle Level Technological Qualification in Construction and Engineering* (揚州市建設工程中級專業技術資格評委員) as an engineer in November 2002.

Ms. Gao Yan (高豔), aged 44, is the general manager of Yangzhou Xiangjiang New City Centre Property Limited* (揚州香江新城市中心置業有限公司) since June 2016 and the general manager of Taixing Guangyuan Property Development Co., Ltd.* (泰興市廣源房地產開發有限公司) ("Taixing Guangyuan"), and has been involved in the Group's business since July 2003. Ms. Gao is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Taixing, Jiangsu Province of the PRC. Ms. Gao also acts as a director of Yangzhou Hengyuan Property Development Co., Ltd.* (揚州市恒源房地產開發有限公司) ("Yangzhou Hengyuan") (formerly known as Jiangdu Hengyuan Property Development Co., Ltd.* (江都市恒源房地產開發有限公司)) and Taixing Guangyuan, respectively.

Ms. Gao has approximately 14 years of experience in the industry of real estate development. She served as the general manager of Taixing Guangyuan from February 2014 to August 2015 and the general manager of Taixing Hengyuan Property Development Co., Ltd.* (泰興市恒源房地產開發有限公司) ("Taixing Hengyuan") from August 2013 to February 2014. Ms. Gao also participated in the preparation for and was responsible for the day-to-day management of the following property development projects: (i) Yangzhou Centurial Scenery Park and (ii) Yangzhou Centurial City. Formerly, Ms. Gao worked as the finance manager and the general manager of Yangzhou Hengyuan from July 2007 to August 2012 and the finance manager of Yangzhou Guangyuan Property Development Co., Ltd.* (揚州廣源房地產開發有限公司) ("Yangzhou Guangyuan") (formerly known as Jiangdu Guangyuan Property Development Co., Ltd.* (江都市廣源房地產開發有限公司)) from July 2003 to June 2007.

Ms. Gao graduated from Jiangsu Broadcasting and Television College* (江蘇廣播電視大學) and obtained a diploma in Finance and Accounting in July 1994. She has been recognised by the Ministry of Finance of the PRC as an intermediate accountant since September 2003.

Ms. Qiu Xiangming (邱祥明), aged 42, is the assistant executive officer of the Group and the general manager of operation management center. She worked as the general manager of Changzhou Jinyuan form February 2014 to March 2018, and has been involved in the Group's business since January 2011. Ms. Qiu is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Changzhou, Jiangsu Province of the PRC. Ms. Qiu has approximately 14 years of experience in the industry of real estate development. She worked as the manager of Zhejiang Jia Yuan Group from January 2011 to August 2013. Ms. Qiu acted as the vice general manager of Changzhou Jinyuan from August 2013 to December 2014 and was subsequently promoted to the position of general manager in December 2014 and has since acted as the general manager of Changzhou Jinyuan. Ms. Qiu also participated in the preparation for and was responsible for the day-to-day management of Xueyan Jiayuan Central Plaza, the Group's property development project in Changzhou of the PRC. Formerly, Ms. Qiu worked as the deputy general manager of Changzhou Tian Yu from January 2010 to December 2010 and a director of Changzhou Zhongchuang Real Estate Development Co., Ltd.* (常州中創房地產開發有限公司), a property developer in the PRC, from December 2003 to December 2009. Ms. Qiu graduated from Changzhou Institute of Technology* (常州工學院) and obtained a diploma in Accounting in January 2008. She was recognised as a junior accountant by the Finance Department of the PRC since May 2006.

Mr. Zhang Chun Kai (張純楷), aged 47, has been the general manager of Taixing Hengyuan and the general manager of Taixing Mingyuan Property Development Co., Ltd.* (泰興市明源房地產開發有限公司) ("Taixing Mingyuan") since August 2014. He has been involved in the Group's business since September 2013. Mr. Zhang participated in the daily operation and the day-to-day management of the real estate development projects under Taixing Huangqiao project: (1) Taizhou and Taixing Jiayuan Central Plaza, (2) Taizhou Jiayuan Mingfu, and (3) Taizhou and Guxi Jiayuan Central Plaza.

Prior to joining the Group, Mr. Zhang has served as an officer in the Construction Committee of Lixin County, Auhui Province* (安徽省利辛縣建設委員會). Mr. Zhang is a postgraduate specializing in industrial and civil construction.

Mr. Hang Xuejun (杭學軍), aged 54, has been the general manger of Yangzhou Jialian Property Development Co., Limited* (揚州市嘉聯房地產開發有限公司) ("Yangzhou Jialian") since March 2017 and has been involved in the Group's business since 2013. He is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Taizhou, Jiangsu Province of the PRC. He has approximately 6 years of experience in the industry of real estate development. Mr. Hang also participated in the preparation for and was responsible for the day-to-day management of the real estate development projects in Taizhou: (1) Oriental Bright City, (2) Oriental Paris City and (3) Quexiandao Number One. Prior to joining the Group, Mr. Hang has worked in the water resources department of Jiangdu, the PRC for many years, and served as the director of Water Resources Bureau of Jiangdu County, the PRC and the Secretary of Party Committee from April 2000 to February 2007, and deputy director of Yangzhou Water Resources Bureau* (揚州市水利局) from March 2007 to January 2013. Mr. Hang graduated from East China Technical University of Water Resources (華東水利學院) majoring in fluid mechanics and possesses the professional qualification of senior engineer.

Save as disclosed above, as at the date of this annual report, each of the senior management mentioned above, (a) did not hold any other position in the material subsidiaries of the Group; and (b) did not have any relationship with other directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Listing Rules) of the Company.

CHANGES IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Director of the Company subsequent to the date of the Company's 2018 Interim Report are set out below:

Dr. Cheung Wai Bun, Charles, JP resigned as an independent non-executive director of China Financial International Investments Limited (Stock Code: 721) (listed on the Main Board of the Stock Exchange) on 24 September 2018.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

* *For identification purpose only*

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are property development and property investment in the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 83 and 84 of this annual report.

DIVIDENDS

The Company has adopted a dividend policy, which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits, as dividends to the shareholders.

The Board is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for shareholders. After considering the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK11 cents per share (2017: HK19 cents per share) to shareholders whose names appear on the register of members of the Company on 21 June 2019. Together with the interim dividend of HK10 cents per share (interim 2017: Nil), the total dividend for the financial year ended 31 December 2018 is HK21 cents per share (2017: HK19 cents per share).

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting of the Company; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto. A circular containing the details of the scrip dividend arrangement will be despatched to shareholders together with the election form for scrip dividend on or about 28 June 2019. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to shareholders on or about 30 July 2019.

As at the date of this annual report, the Board was not aware that any shareholders of the Company had waived or agreed to any arrangement to waive dividends.

BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" from pages 6 to 25 of this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 208 of this annual report.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2018 are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 December 2018 are set out in note 15 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of movements in the bank and other borrowings of the Group during the year ended 31 December 2018 are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution under the Companies Laws of the Cayman Islands, consisted of share premium amounted to RMB3,331.9 million less accumulated losses amounted to RMB399.7 million and they are subject to a solvency test.

EQUITY-LINKED AGREEMENTS

Save the share option scheme of the Company as disclosed herein, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2018 or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the percentage of purchases attributable to the Group's five largest suppliers and the percentage of revenue attributable to the Group's five largest customers were less than 30% of the total purchases and total revenue of the Group respectively.

None of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest customers or suppliers.

DIRECTORS

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

Non-executive Directors:

Mr. Shum Tin Ching *(Chairman)*
Mr. Shen Xiaodong *(appointed w.e.f. 17 February 2019)*

Executive Directors:

Mr. Zhang Yi *(Vice Chairman and President) (appointed w.e.f. 17 February 2019)*
Mr. Huang Fuqing *(Vice Chairman)*
Ms. Cheuk Hiu Nam *(Joint Company Secretary)*
Mr. Wang Jianfeng

Independent non-executive Directors:

Mr. Tai Kwok Leung, Alexander
Dr. Cheung Wai Bun, Charles, JP
Mr. Gu Yunchang

In accordance with Article 84 of the Articles of Association of the Company, Mr. Wang Jianfeng, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang shall retire at the forthcoming annual general meeting of the Company to be held on 13 June 2019 (the "Annual General Meeting"). Mr. Zhang Yi and Mr. Shen Xiaodong, who have been appointed by the Board, shall hold office until the Annual General Meeting pursuant to Article 83(3) of the Articles of Association of the Company. All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 26 to 32 of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 December 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2018.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, other than Mr. Zhang Yi, has entered into a service contract with the Company for a term of three years commencing from 8 March 2019. Mr. Zhang Yi has entered into a service contract with the Company for a term of three years commencing from 17 February 2019. Such service contracts may be terminated in accordance with the terms of the service contracts.

Each of the non-executive Director and independent non-executive Directors, other than Mr. Shen Xiaodong, was appointed to the Board pursuant to their respective letters of appointment, for a term of three years commencing from 8 March 2019, and such appointment may be terminated in accordance with the terms of the letters of appointment. Mr. Shen Xiaodong has entered into a service contract with the Company for a term of three years commencing from 17 February 2019, and such service contract may be terminated in accordance with the terms of the service contract.

All the Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles of Association of the Company.

Saved as disclosed herein, no Director proposed for re-election at the Annual General Meeting of the Company has a service contract that is not determinable within one year without payment of compensation, other than statutory compensation.

Each of the executive Directors is entitled to a basic salary pursuant to their respective service contracts, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. In addition, each of them is entitled to a bonus of such amount as the Board may determine in respect of each complete financial year of the Company.

Each of the non-executive Director and independent non-executive Directors is entitled to a director's fee pursuant to their respective letters of appointment or service contracts, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. Save for director's fee, each of the non-executive Director and independent non-executive Directors is not expected to receive any other remuneration for holding his office as a non-executive Director or an independent non-executive Director respectively.

REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 December 2018 are set out in note 12 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 26 February 2016 (the "Prospectus")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the period commencing from the Deed of Non-Competition and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed in the section headed "Relationship with the Controlling Shareholders" in the Prospectus, Mr. Shum Tin Ching is the ultimate owner of a group of real estate development companies (other than members of the Group) (the "Private Group"). Mr. Shum Tin Ching entered into the Deed of Non-Competition to provide certain non-compete undertakings in favour of the Company. Since the Listing Date and up to the date of this report, the Directors were not aware of any competing business between the Private Group and the Group.

Save as disclosed above, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules since the Listing Date and up to the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Material Acquisitions and Disposals" and "Events after the Reporting Period", no other Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its controlling shareholders, or any of its subsidiaries or fellow subsidiaries was a party at any time during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Hong Kong Companies Ordinance. Such provision was in force during the year ended 31 December 2018 and remained in force as of the date of this report. The Company has also arranged appropriate directors' and officers' liability insurance for the directors and officers of the Group.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 12 February 2016 (the "Share Option Scheme"). The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, offer to grant an option to subscribe for ordinary shares with a par value of HK$0.01 each (the "Shares") of the Company subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the "Eligible Participants"): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 180,000,000 Shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of Shares available for issue is 180,000,000 Shares, being approximately 7.3% of the Shares in issue as at the date of this report.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per Share under the Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

(a) Interest in Shares of the Company

Name of Director	Nature of interest	Number of shares or securities held(1)	Percentage of interest in the Company(6)
Mr. Shum Tin Ching	Interest of a controlled corporation	1,377,724,660(2) shares (L)	54.87%
	Beneficial owner	69,746,589(3) shares (L)	2.78%
	Interest of a controlled corporation	628,032,000(4),(5) shares (S)	25.01%

Notes:

(1) The letters "L" and "S" denote the Director's long position and short position in the shares of the Company respectively.

(2) The disclosed interest represents an interest in 1,377,724,660 shares held by Mingyuan Group Investment Limited ("Mingyuan Investment"), which is wholly-owned by Mr. Shum Tin Ching. Therefore, Mr. Shum Tin Ching is deemed to be interested in Mingyuan Investment's interest in the Company by virtue of the SFO.

(3) The disclosed interest represents interest in (a) 50,180,189 shares to be allotted and issued by the Company to Mr. Shum Tin Ching or his nominee(s) under the sale and purchase agreement entered into between Mr. Shum Tin Ching and the Company on 19 September 2018; and (b) 19,566,400 shares wholly owned by Mr. Shum Tin Ching as a beneficial owner.

(4) On 29 June 2017, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 600,000,000 shares out of 1,350,000,000 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited.

(5) On 23 June 2018, Mingyuan Investment entered into a share charge deed with China International Capital Corporation Hong Kong Securities Limited ("CICC"), pursuant to which, Mingyuan Investment agreed to pledge 28,032,000 shares out of 1,350,000,000 shares held by it in favour of CICC as security for the payment and discharge of the secured obligation of Mr. Shum Tin Ching.

(6) As at 31 December 2018, the total number of issued shares of the Company was 2,510,971,802.

(b) Interest in shares of Mingyuan Investment

Name of Director	Nature of interest	Number of shares or securities held(1)	Percentage of shareholding
Mr. Shum Tin Ching	Beneficial owner	150,000 shares (L)	100%

Note:

(1) The letter "L" denotes the Director's long position in the share of Mingyuan Investment.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

So far as the Directors are aware as of 31 December 2018, the following persons (other than the Directors or chief executive of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held[1]	Percentage of interest in the Company[9]
Ms. Wang Xinmei[2]	Interest of spouse	1,447,471,249 shares (L)	57.65%
	Interest of spouse	628,032,000[4],[5] shares (S)	25.01%
Mingyuan Investment[3]	Beneficial owner	1,377,724,660 shares (L)	54.87%
	Beneficial owner	628,032,000[4],[5] shares (S)	25.01%
CCB International Overseas Limited[6],[8]	Person having a security interest in shares	600,000,000[5] shares (L)	23.90%
Design Time Limited[7]	Beneficial owner	19,200,000 shares (L)	0.76%
CCBI Investments Limited[7]	Interest of a controlled corporation	19,200,000 shares (L)	0.76%
CCB International (Holdings) Limited[6],[7],[8]	Person having a security interest in shares	600,000,000[4] shares (L)	23.90%
	Interest of a controlled corporation	19,200,000 shares (L)	0.76%
CCB Financial Holdings Limited[6],[7],[8]	Person having a security interest in shares	600,000,000[4] shares (L)	23.90%
	Interest of a controlled corporation	19,200,000 shares (L)	0.76%
CCB International Group Holdings Limited[6],[7],[8]	Person having a security interest in shares	600,000,000[4] shares (L)	23.90%
	Interest of a controlled corporation	19,200,000 shares (L)	0.76%
China Construction Bank Corporation[6],[7],[8]	Person having a security interest in shares	600,000,000[4] shares (L)	23.90%
	Interest of a controlled corporation	19,200,000 shares (L)	0.76%

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held[1]	Percentage of interest in the Company[9]
Central Huijin Investment Ltd.[6],[7],[8]	Person having a security interest in shares	600,000,000[4] shares (L)	23.90%
	Interest of a controlled corporation	19,200,000 shares (L)	0.76%

Notes:

(1) The letters "L" and "S" denote a person's/an entity's long position and short position in the shares of the Company respectively.

(2) Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching, is deemed to be interested in Mr. Shum Tin Ching's interest in the Company.

(3) These shares are held by Mingyuan Investment, which is wholly-owned by Mr. Shum Tin Ching.

(4) On 29 June 2017, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 600,000,000 shares out of 1,350,000,000 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited.

(5) On 23 June 2018, Mingyuan Investment entered into a share charge deed with CICC, pursuant to which, Mingyuan Investment agreed to pledge 28,032,000 shares out of 1,350,000,000 shares held by it in favour of CICC as security for the payment and discharge of the secured obligation of Mr. Shum Tin Ching.

(6) Based on the public records, these security interest in shares are held by CCB International Overseas Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.

(7) Design Time Limited is a wholly-owned subsidiary of CCBI Investments Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.

(8) CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited, which is in turn a wholly-owned subsidiary of CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation, which is owned as to 57.11% by Central Huijin Investment Ltd..

(9) As at 31 December 2018, the total number of issued shares of the Company was 2,510,971,802.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any person who had an interest or short position in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions with related parties during the year ended 31 December 2018 which constituted connected transactions or continuing connected transactions of the Group, details of which are set out in notes 39 to the consolidated financial statements. They do not constitute notifiable connected transaction under the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Group had entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and will continue after the Listing Date. All the continuing connected transactions during the year that need to be disclosed herein are in compliance with the Listing Rules. The transaction amount of the continuing connected transactions of the Group for the year ended 31 December 2018 is set out below:

Connected Person	Nature of Transaction	Transaction Amount for Year Ended 31 December 2018 RMB'000
Exempt continuing connected transactions		
1. Jin Jiang Investment Limited(1)	License of trademarks to the Company	–
2. Zhejiang Jia Yuan Property Group Co., Ltd.(2)	License of trademarks to the Company	–
3. Jiangsu Five Star Appliance Co., Ltd.(3)	Procurement of appliance products	**1,879**
Non-exempt continuing connected transactions		
4. Zhejiang Xigu Digital Technology Co., Ltd. ("Zhejiang Xigu")(4)	Procurement of intelligent system equipment	**9,240**
5. Jiaxing City Deyu Electronics Technology Co., Ltd. ("Jiaxing Deyu")(4)	Procurement of intelligent system equipment	**2,399**
6. Jiaxing City Boyuan Architecture Design Co., Ltd. ("Jiaxing Boyuan")(5)	Provision of architectural design service	**19,039**
7. Zhejiang Jia Yuan Property Management Co. Ltd. ("Jia Yuan Property")(6)	Provision of property management service	**22,845**
8. Jiayuan Chuangsheng Holdings Group Co., Ltd. ("Jiayuan Chuangsheng")(7)	Property management service	–

Notes:

(1) Jin Jiang Investment Limited, a company incorporated under the laws of Hong Kong with limited liability on 8 November 2013, which is directly owned by Mr. Shum Tin Ching, a controlling shareholder of the Company, as to 100%.

(2) Zhejiang Jia Yuan Property Group Co., Ltd.* (浙江佳源房地產集團有限公司), a company established under the laws of the PRC with limited liability on 29 March 2004, which is ultimately owned by Mr. Shum Tin Ching, a controlling shareholder of the Company, as to 100%.

(3) Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司), a company established under the laws of the PRC with limited liability on 17 December 1998, which is indirectly owned by Mr. Shum Tin Ching.

(4) Zhejiang Xigu is a company indirectly controlled by Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching. Jiaxing Deyu is a wholly-owned subsidiary of Zhejiang Xigu. Both of Zhejiang Xigu and Jiaxing Deyu are principally engaged in the manufacture, installation and sale of software and system equipment.

In 2015, the Group entered into intelligent system equipment procurement agreements and purchased a variety of intelligent system equipment including security monitoring equipment, video intercom system, access control equipment and alarm system for some of the Group's property development projects.

On 31 December 2018, the Company entered into an intelligent system equipment procurement framework agreement with Zhejiang Xigu and Jiaxing Deyu to govern the procurement of intelligent system equipment by the Group for its property development projects to renew the transactions for a term of three years from 1 January 2019 to 31 December 2021.

The annual cap for the year ended 31 December 2018 was RMB13.3 million. The annual caps for the years ending 31 December 2019, 2020 and 2021 will be approximately RMB60.0 million, RMB75.0 million and RMB90.0 million, respectively.

(5) Jiaxing Boyuan is a company indirectly wholly-owned by Mr. Shum Tin Ching, a controlling shareholder of the Company, and is principally engaged in project design and decoration.

In 2015, the Group engaged Jiaxing Boyuan for providing the Group with architecture design service for some of the Group's property development projects including (i) formulating the proposal, the preliminary design plan and the construction plan; and (ii) supervising the implementation of relevant design plan and construction plan for projects under construction.

On 31 December 2018, the Company entered into an architecture design service framework agreement with Jiaxing Boyuan to govern the provision of architecture design service by Jiaxing Boyuan to the Group for its property development projects to renew the transactions for a term of three years from 1 January 2019 to 31 December 2021.

The annual cap for the year ended 31 December 2018 was RMB31.4 million. The annual caps for the years ending 31 December 2019, 2020 and 2021 will be approximately RMB40.0 million, RMB65.0 million and RMB90.0 million, respectively.

(6) Before becoming an indirectly wholly-owned subsidiary of the Company, Jia Yuan Property is a company indirectly wholly-owned by Mr. Shum Tin Ching, a controlling shareholder of the Company, and is principally engaged in property management.

In 2015, the Group engaged Jia Yuan Property for providing the Group with pre-delivery property management service including property maintenance, site security, gardening, cleaning and other ancillary services for all of the Group's property management projects prior to the establishment of an owners' committee of the relevant buildings developed by the Group.

On 12 February 2016, the Company entered into a property management service framework agreement with Jia Yuan Property to govern the provision of property management service by Jia Yuan Property to the Group for its property development projects effective from the Listing Date until 31 December 2018.

The annual caps for the years ended 31 December 2016, 2017 and 2018 were approximately RMB17.0 million, RMB18.3 million and RMB20.7 million, respectively.

* *For identification purpose only*

(7) Jiayuan Chuangsheng is a company beneficially wholly-owned by Mr. Shum Tin Ching, a controlling shareholder of the Company, and is principally engaged in property development, equity investment, enterprise investment and enterprise management consulting services.

On 19 September 2018, Jiayuan Chuangsheng, Zhejiang Jia Yuan Property Management Co., Ltd.* (浙江佳源物業管理有限公司) and the Company entered into the property management services framework agreement (the "Property Management Services Framework Agreement"), pursuant to which the parties agreed and confirmed that provision of the property management services (including but not limited to (i) the provision of on-site security, cleaning, greening and gardening as well as customer service to the property sales centre of Jiayuan Chuangsheng and its subsidiaries at the pre-delivery stage; and (ii) the provision of property management services for the unsold portion of the property units, in respect of certain properties developed or owned by Jiayuan Chuangsheng and its subsidiaries) by the Group to Jiayuan Chuangsheng and its subsidiaries have been and will continue to be conducted on terms set out therein, from the day on which the condition precedent of the Property Management Services Framework Agreement having been satisfied (i.e. 21 January 2019) to 31 December 2020 (both days inclusive) subject to the annual caps.

The annual caps under the Property Management Services Framework Agreement for the financial years ended 31 December 2018 and ending 31 December 2019 and 2020 shall be RMB52,000,000 (equivalent to approximately HK$59,217,600), RMB66,000,000 (equivalent to approximately HK$75,160,800) and RMB91,000,000 (equivalent to approximately HK$103,630,800), respectively.

The independent non-executive Directors confirmed that the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors further confirmed that the annual caps in respect of the above continuing connected transactions as disclosed in the Prospectus are fair and reasonable and in the interests of the Company and its shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

(ii) are not in accordance with the pricing policies of the Company if the transactions involve provision of goods and services by the Company;

(iii) have not been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the respective annual caps.

EMOLUMENT POLICY

A Remuneration Committee was set up to make recommendations on the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Group on the basis of their merit, qualifications and competence.

The Company has adopted the Share Option Scheme as incentive to eligible employees, details of which are set out in the section headed "Share Option Scheme" of this report.

None of the Directors waived any emoluments during the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

DONATIONS

During the year, the Group made charitable and other donations amounting to RMB626,000.

AUDIT COMMITTEE

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee of the Company. Information on the work of the Audit Committee and its composition are set out in section headed "Corporate Governance Report" on pages 45 to 55 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by Directors and employees who are likely to be in possession of unpublished inside information of the Company (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2018.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" in this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by Messrs. Deloitte Touche Tohmatsu who shall retire at the Annual General Meeting. A resolution will be proposed at the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company. There have been no changes in the auditor of the Company in the preceding three years.

On behalf of the Board

Shum Tin Ching
Chairman

Hong Kong, 26 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is committed to achieving high corporate governance standards.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2018.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by directors and employees who are likely to be in possession of unpublished inside information of the Company (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2018.

No incident of non-compliance of the Code of Conduct by the relevant employees was noted by the Company during the year ended 31 December 2018. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

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

THE GROUP'S PERFORMANCE

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" from pages 6 to 25 of this annual report.

Board Composition

The Board currently comprises the following Directors:

Chairman and non-executive Director:

Mr. Shum Tin Ching *(chairman of Nomination Committee)*

Vice Chairmen and executive Directors:

Mr. Zhang Yi *(president) (appointed w.e.f. 17 February 2019)*
Mr. Huang Fuqing

Executive Directors:

Ms. Cheuk Hiu Nam *(joint company secretary and member of Remuneration Committee)*
Mr. Wang Jianfeng

Independent non-executive Directors:
Mr. Tai Kwok Leung, Alexander
(chairman of Audit Committee and member of Remuneration Committee)
Dr. Cheung Wai Bun, Charles, JP
(chairman of Remuneration Committee and member of Audit Committee and Nomination Committee)
Mr. Gu Yunchang
(member of Audit Committee and Nomination Committee)

Non-executive Director:

Mr. Shen Xiaodong *(appointed w.e.f. 17 February 2019)*

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 26 to 32 of this annual report.

Mr. Shen Xiaodong, a non-executive Director of the Company, is the son of Mr. Shum Tin Ching, the Chairman and a non-executive Director of the Company. Save as disclosed, there are no financial, business, family or other material/relevant relationships among members of the Board.

Chairman and President/Chief Executive Officer

The position of Chairman is held by Mr. Shum Tin Ching. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board.

Mr. Zhang Yi was appointed as the President of the Company and Ms. Cheuk Hiu Nam ceased to be the Chief Executive Officer of the Company with effect from 17 February 2019. The President/Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent non-executive Directors

During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The retiring Directors shall be eligible for re-election.

Responsibilities of the Directors

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

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

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

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

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

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

Continuous Professional Development of Directors

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

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

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

During the year ended 31 December 2018, the Company organized two training sessions for all Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities etc.

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

Directors	Type of Training Note
Non-executive Director	
Mr. Shum Tin Ching	A
Executive Directors	
Mr. Huang Fuqing	A
Ms. Cheuk Hiu Nam	A
Mr. Wang Jianfeng	A
Independent non-executive Directors	
Mr. Tai Kwok Leung, Alexander	A
Dr. Cheung Wai Bun, Charles, JP	A,B
Mr. Gu Yunchang	A,B

Note:

Types of Training

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

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

BOARD COMMITTEES

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

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Board Meetings and Directors' Attendance Records

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

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of executive Directors during the year ended 31 December 2018.

The attendance record of each Director at the Board and Board Committee meetings and general meetings of the Company held during the year ended 31 December 2018 is set out in the table below:

Name of Director	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Shum Tin Ching (Note 1)	4/4	N/A	N/A	1/1	1/1	0/1
Huang Fuqing	4/4	N/A	N/A	N/A	1/1	1/1
Cheuk Hiu Nam	4/4	N/A	1/1	N/A	1/1	1/1
Wang Jianfeng	4/4	N/A	N/A	N/A	1/1	0/1
Tai Kwok Leung, Alexander (Note 2)	4/4	2/2	1/1	N/A	1/1	1/1
Cheung Wai Bun, Charles, JP (Note 3)	4/4	2/2	1/1	1/1	1/1	1/1
Gu Yunchang	4/4	2/2	N/A	1/1	1/1	0/1

Notes:

1. Chairman of the Board and chairman of Nomination Committee
2. Chairman of Audit Committee
3. Chairman of Remuneration Committee

None of the meetings set out above was attended by any alternate Director.

During the year ended 31 December 2018, besides the annual general meeting held on 13 June 2018, an extraordinary general meeting was held on 10 August 2018.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang. Mr. Tai Kwok Leung, Alexander is the chairman of the Audit Committee.

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

The Board has also delegated the corporate governance duties to the Audit Committee for performing the functions set out in the code provision D.3.1 of the CG Code.

The Audit Committee held two meetings to review, in respect of the year ended 31 December 2018, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions, arrangements for employees to raise concerns about possible improprieties, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Company's corporate governance report.

The Audit Committee also met the external auditors twice without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor.

Remuneration Committee

The Remuneration Committee consists of three members, namely Ms. Cheuk Hiu Nam, Mr. Tai Kwok Leung, Alexander and Dr. Cheung Wai Bun, Charles, JP, and the majority of them are independent non-executive Directors. Dr. Cheung Wai Bun, Charles, JP is the chairman of the Remuneration Committee.

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

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2018 is set out below:

Remuneration Band (RMB)	Number of Person
0 – 1,400,000	2
1,400,001 – 1,800,000	2

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Shum Tin Ching, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang, and the majority of them are independent non-executive Directors. Mr. Shum Tin Ching is the chairman of the Nomination Committee.

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

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy and directors' nomination procedures, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary as set out in the Director Nomination Policy that are to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy.

Board Diversity Policy

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

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

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

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

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

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

Director Nomination Policy

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

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

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

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2018, there was no change in the composition of the Board.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including regulation management work guideline (規範管理工作指引), strategic investment work guideline (戰略投資工作指引), operation management work guideline (運營管理工作指引), sales management work guideline (營銷管理工作指引), business management work guideline (商業管理工作指引), accounting and finance work guideline (財務資金工作指引), human resources and administration work guideline (人事行政工作指引) and internal audit work guideline (審計監察工作指引).

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018.

The internal audit department of the Company is responsible for providing internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

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

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 76 to 82 of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2018 amounted to RMB2.9 million and RMB5.2 million respectively.

An analysis of the remuneration paid to the external auditor of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	Fees Paid/Payable (RMB'000)
Audit services	2,530
Non-audit services	
– Interim review fee	380
– Major acquisition	3,226
– Senior notes issuance related fee	1,558
Total	7,694

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Ms. Wong Tak Yee of Tricor Services Limited, an external service provider, and Ms. Cheuk Hiu Nam, an executive Director of the Company, who is also the primary contact person of the Company.

Ms. Cheuk Hiu Nam has been appointed as a joint company secretary of the Company with effect from 11 March 2019.

The Company is of the view that this joint company secretary arrangement (one external with requisite qualification and one internal with in-house knowledge) is suitable and beneficial to the Company's management of its company secretarial and corporate governance matters, in particular, compliance with the Listing Rules and other relevant laws, regulations or codes applicable to the Company.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Ms. Wong Tak Yee has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2018 pursuant to Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

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

Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals

Pursuant to Article 58 of the Company's Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the joint company secretaries of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of 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.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	Room 1403, 9 Queen's Road Central, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 3951 8899
Email:	info@hkjiayuan.com.hk

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

Policies relating to Shareholders

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

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

CONSTITUTIONAL DOCUMENTS

No change has been made to the Company's Memorandum and Articles of Association during the year ended 31 December 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the third Environmental, Social and Governance ("ESG") Report (the "Report") issued by Jiayuan International Group Limited (the "Company"), which contains the policies, measures and performance of the Company and its subsidiaries (collectively, "Jiayuan International" or the "Group") in respect of ESG to allow better understanding of each stakeholder on the progress and development directions of the Group in terms of sustainability.

SCOPE OF REPORT

This Report focuses on the operations of the property development business segment of Jiayuan International during the financial year from 1 January to 31 December 2018 ("the Year"). The business segment accounted for 22.4% of the Group's total revenue.

To fully demonstrate our responsibilities as a property development enterprise, the report not only covers the Group's governance efforts and performance, but also focuses on environmental and social performance regarding its projects under construction. Same as the ESG report of last year, reporting scope of the report cover the following two projects under construction (collectively, the "Points of Business")[1].

Project	Region	Total GFA[2] (sq.m.)	Ownership Interest (%)
Yangzhou Jiayuan Centurial City[3]	Yangzhou	717,691	100
Nanjing Zijin Mansion[4]	Nanjing	502,068	100

Although this Report has not yet covered all property development projects of the Group and operations of other business segments (including property investment and development services), the Group plans to gradually expand the scope of the Report in the future.

REPORTING STANDARDS

This Report is prepared under the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited and is based on four reporting principles: Materiality, Quantitative, Balance and Consistency. To provide our stakeholders with a comprehensive understanding of the ESG performance of the Group, this Report not only discloses the environmental key performance indicators (KPIs) pursuant to the "comply or explain" provisions, but also reports some of the Social KPIs specified in the "Recommended Disclosures" under the Guide.

DATA PREPARATION

The Group has developed a set of internal controls and formal review procedures, striving to ensure the accuracy and reliability of all information presented in this Report. This Report was reviewed and approved by the board of directors.

FEEDBACK

Opinions and recommendations from stakeholders are beneficial for the Group to establish more detailed and sound sustainability strategies in the future. If you have any questions or suggestions on the works in relation to our ESG or the content of this Report, you are welcome to contact our sustainability taskforce via info@hkjiayuan.com.hk.

1 Environmental performance reported by the report covers marketing centers of the Points of Business and part of performance regarding other projects directly operated by the Group.
2 As of 31 December 2018, the Group had 45 property projects, with a total GFA of 9.2 million sq.m..
3 Yangzhou Jiayuan Centurial City is operated by Yangzhou Xiangjiang New City Center Property Co., Ltd. ("Yangzhou Xiangjiang").
4 Nanjing Zijin Mansion is operated by Nanjing Xinhaoning Property Development Co., Limited ("Nanjing Xinhaoning").

Future trends in green building

Ecological problems and social responsibilities are drawing increased attention from the international community. Embracing a sustainable model of development will be a global trend for all industries and regions. Meanwhile, with the gradual implementation of green building policies in China, future development for the property industry towards green building is necessary. To meet the social expectation, the Group will focus on research and development of green energy-saving properties. By adhering to the development notion of "To create quality life" consistently, the Group provides the public with comfortable environment suitable for living.

Responding to risks of climate change

The extreme weather caused by climate change affects the property industry directly or indirectly and presents various risks to our business operations. In recent years, investors and shareholders have shifted their focus from measures and effectiveness regarding climate change mitigation by enterprises to their ability in terms of combating the climate change. We are hopeful that the scope of the carbon emission assessment will be in line with our financial reports by 2030 to provide the stakeholders with comprehensive and accurate information. To strengthen our ability to combat climate change, the Group is currently planning a risk assessment of climate change for property development projects to identify physical risks and transformation risks therein as well as to formulate corresponding strategies based on factors such as operational vulnerability and risk implications.

Enhancing sustainability governance

The Group will set up a sustainability team to better manage their efforts and performance on sustainable development effectively. The team will consist of executives and supervisors of relevant departments, being responsible for setting the strategic direction for sustainable development, reviewing and formulating sustainable development policies, action plans and goals. The team will report to the Chief Executive Officer directly and submit report(s) to the Board annually to ensure the effectiveness of supervision. The Group will also establish an enterprise risk management (ERM) taskforce for reviewing comprehensively all strategic risks and operational frontline risks of the enterprise.

Caring for the needs of the community

In response to the various needs of the community, the Group especially focuses on community investment this year, so as to integrate education, leisure and social and economic value into real estate projects to provide residents with comfortable environment suitable for living.

Going forward, the Group will attend to the stakeholders' views and meet their needs. We consider the Report to be a platform for regular collection of and responses to the stakeholders' views, encouraging the stakeholders to reflect their views and criticize actively, thereby leading the Group to forge ahead on the road towards sustainable development.

Jiayuan International Group Limited
Shum Tin Ching
Chairman

SUSTAINABILITY GOVERNANCE

The board of directors of the Company (the "Board") adheres to a high level of corporate governance and believes that good corporate governance practices can effectively contribute to the establishment and realization of long-term strategies and goals of Jiayuan International. The Board is currently composed of seven directors and bears corporate social responsibility of the Group, including seizing and responding to opportunities and risks arising from sustainable development for the enterprise.

Environmental and social issues are in connection with every aspects of the Group. To integrate the concept of sustainable development into business effectively, the Board will establish a sustainable development structure in the future. The proposed structure will include three levels of sustainable development management system, which are strategic deployment, risk review and execution. The sustainability task force will be composed of related staff from all departments and will be responsible for formulating strategic direction for sustainable development of the Group as well as reviewing and setting the sustainability policies, measures and goals.

The Group has also formulated terms of reference of the sustainability taskforce and set its authority, scope of duties and resources for the establishment of long-term strategies and goals in the future. The taskforce will report to the Chief Executive Officer and submit report(s) to the Board at least once annually so that the Board can effectively supervise the management system.

the Board

- To review the strategic directions, policies, action plans and goals of sustainable development
- To review the risks of sustainable development

sustainability taskforce

- To formulate the strategic directions, policies, action plans and goals of sustainable development
- To coordinate the risk management matters in every operational aspect
- To report to the Chief Executive Officer in a timely manner
- To implement the plans

RISK MANAGEMENT

Risk management is an essential component of daily management procedures and good corporate governance. We have established risk management and internal control systems. The internal audit department is responsible for endorsing the effectiveness of the risk management and internal control systems and reporting to the Board of the Company on the results of the audit and review. The Group will conduct a risk assessment in terms of climate change of the property development projects and formulate corresponding strategies according to factors such as operational vulnerability and risk implications, in order to actively tackle the operational crisis due to climate change.

The Group notes that the current risk management and internal control systems do not fully cover issues of sustainable development. Going forward, the Group will set up an enterprise risk management taskforce to identify potential environmental and social issues which will be included in the risk management system of the enterprise. The taskforce will be composed of the supervisors of all relevant departments to coordinate the risk management matters in every operational aspect.

COMMUNICATION WITH THE STAKEHOLDERS

As a community builder, Jiayuan International emphasizes participation of stakeholders and actively establishes mutual-trust relationship with the stakeholders via diverse communication channels.

The stakeholders of the Group consist of groups or individuals materially influencing or affected by its business, including employees, shareholders, suppliers, customers, regulatory authorities and community groups. The stakeholders can understand the efforts and performance of the Group regarding environmental protection and social care and reflect views via the following diverse communication channels. Stakeholders' views help the Group review potential risks and opportunities in respect of sustainable development and identify the priorities of different issues, in order to formulate corresponding policies and measures.

Employees	Suppliers	Regulatory authorities
The employees may express their difficulties at work or views towards the Group through platforms such as performance appraisals, corporate communications, training, seminars and whistle-blowing mechanism.	The Group conducts supplier inspection to ensure the suppliers satisfy the requirements of the Group.	The Group makes disclosures of the matters including operating statistics, material transactions and inside information of the Company to the Hong Kong Stock Exchange in a timely manner to ensure information transparency.
Shareholders	**Customers**	**The Community**
The Group encourages shareholders to participate in Annual General Meeting to collect and respond to their feedback.	The Group holds appreciation receptions for customers and makes periodic customer visits. Trained staff members provide customers with sales services according to marketing management procedures and guidelines to ensure they are satisfied with our services and products.	The Group launches voluntary activities and organizes donations to serve and contribute to the community.

MATERIAL ENVIRONMENTAL AND SOCIAL ISSUES

To establish the strategy and direction for the Group's sustainable development and identify environmental and social issues that are of utmost importance to the Group and its stakeholders, the Group has engaged professional advisers to discuss with the management. Taking into account both the results of the discussions and the opinions of the advisers, the Group selected three items out of the eleven environmental and social aspects from the Guide as the key issues discussed in this Report.

Employment	Development and Training	Health and Safety

TO CREATE VALUE FOR OUR EMPLOYEES

EMPLOYMENT MANAGEMENT SYSTEM

Staff Handbook (員工手冊) and Human Resources Administration Guidelines (人事行政工作指引) of the Group set out arrangements for recruitment, promotion, departure, working hours, remuneration, leaves and benefits to ensure that employees understand their rights. The employees of the Group are entitled to various benefits, including medical benefits programs, festival allowance, communication allowance, and meal allowance. The performance of each employee is assessed objectively, with the establishment of employees performance assessment system and one will be awarded bonus based on his/her assessment result.

The Group actively advocates diversity at workplace. By having the Employment and Labour Practices Declaration (僱傭及勞工常規政策聲明), the Group undertakes to provide a diverse workplace free of discrimination and harassment, so that all employees can utilize their strengths and develop potentials. The Group will never treat employees differently based on gender, age, ethnic origin, race, color, religion, physical shape, illness, mental or physical disability, family responsibility, family composition, sexual orientation, political belief or social status.

The Group also values interactive communication with the employees. Human resources administration centre conducts employee satisfaction survey regularly, improves the staff communication system and expands the communication channels consistently. Before the departure of an employee, the Group arranges an exit interview for the employee to obtain his/her feedback.

The Group complies with the relevant laws and regulations, including the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Law on Protection of Women's Interests of the PRC (《中華人民共和國婦女權益保護法》) and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》). During the Year, the Group identified no non-compliance in relation to employment at the Points of Business.

DEVELOPMENT AND TRAININGS

The Group's human resources administration centre is responsible for formulating and supervising implementation of annual training plans for the Group. It organizes regular activities to address the needs of staff of different departments. To encourage continuing education of staff, the Group offers the employees with full-pay or no-pay study leave, during which the employees continue to be entitled to additional benefits.

96% of employee
trained

According to the annual training plans, the finance center of the Group and Jiayuan College provide training sessions to the employees twice a year. Marketing planning department is responsible for conducting training and assessment of customer managers and onsite customer managers in order to enhance the marketing planning skills of the employees. The Group arranges new staff to receive training at Jiayuan College, study the company culture and management system and operational standards of the Group.

9.8 hrs
Average training hours
for each employee

Special trainings — basic knowledge and development processes of property

In November 2018, Nanjing Xinhaoning arranged special trainings for all employees, in respect of basic knowledge, including knowledge and skills of property development such as calculations of value by land use nature, accommodation value and premium, as well as ways to obtain five certificates, during project development processes. With the past experience of project development shared by the Company, the employees advanced their knowledge regarding each stage of project from land acquisition to delivery.

HEALTH AND SAFETY

The Group strives to provide our employees with a safe workplace. By having the Employment and Labour Practices Declaration which clearly sets out its responsibility in respect to employees' health and safety, the Group formulates occupational health and safety precautions and minimizes the risks of employees sustaining injuries or contracting diseases or encountering occupational hazards at the workplace. Nanjing Xinhaoning provides regular body check-up, and seminars on firefighting and health for its employees so as to enhance their safety awareness.

As a property developer, the Group understands well its responsibilities to cover not only its own operation, but also the construction safety. Contractors are responsible for construction works for projects of the Group. All construction units (including contractors and their subcontractors) shall perform construction safety management according to the "Guidelines for Safe and Civilized Construction Management".

- Preparation of safe construction plan before construction commences
- Safey inspection during construction
- Safety rectification measures after incident

Preparing safe construction plan

The construction unit shall prepare safe and civilized construction plan for projects pursuant to regulatory and contractual requirements and include technological plans on a project-by-project basis. All plans shall be reviewed and approved by the external supervision unit and the engineering design department of the Group before construction commences.

Implementing safe and civilized construction plan

External supervision unit is responsible for implementing the management rules for safe construction and inspecting the implementation of safe and civilized construction plan by the construction unit. Daily inspection mainly consists of on-site inspection and safety information checking. In addition, the external supervision unit is also responsible for supervising the management of safe construction performed by the construction unit, the construction plan and management and the construction sites and worker quarters in respect of sanitary condition, fire safety and security.

To evaluate safety construction performance of each project more effectively, the engineering design department of the Group, together with the supervision unit, head of the construction unit and safety officers carry out a monthly safety inspection of the construction site, and conduct assessment of the construction unit according to the safety performance of the construction site. If any construction that violates the safety standards is identified, the supervision unit will notify the construction unit to carry out rectification within the period specified. The construction unit must complete the safety rectification within the period specified. The Group will also arrange for a special investigation to ensure that the safety measures can be implemented.

Formulating Regulations on the Handling of Safety Accidents

When a safety accident occurs in the construction site, the Group will immediately take measures to assist the construction unit in handling the accident. The construction unit shall submit a safety accident report to the supervision unit and the engineering design department of the Group after handling the accident.

The Group complies with the relevant laws and regulations such as the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》) and the Fire Prevention Law of the PRC (《中華人民共和國消防法 》). During the Year, the Group identified no breach of the laws and regulations in relation to health and safety at the Points of Business.

LABOUR STANDARDS

The Group understands that employing child labor and forced labor is a violation of basic human rights and international labor conventions, and poses threats to the development of the society. According to the Human Resources Management Guidelines (人事管理工作指引), the human resources department of the Group reviews the actual age of new employees by checking their identity documents and making detailed records to ensure compliance with local statutory minimum age to work and prevent accidental employment of child labor.

The Group also prohibits the employment of forced labor in any form to ensure that employees are employed on a voluntary basis. To ensure the employees' working hours and overtime working hours comply with legal standards and regulations, the Group formulates procedures to adjust overtime working hours to provide employees who have worked overtime white on leave with compensatory leave and reasonable rest time.

The Group complies with the relevant laws and regulations such as the Labor Law of the PRC (《中華人民共和國勞動法》) and the Law on Protection of Minors of the PRC (《中華人民共和國未成年人保護法》). During the Year, the Group identified no breach of the laws and regulations in relation to child labor or forced labor at the Points of Business.

INTEGRITY MANAGEMENT

Under the highly competitive market environment, expectations of customers towards products and services keep increasing with rising social expectation towards corporate integrity. The Group understands that, in order to gain the trust and support of society, the Group has to create the maximum value for its customers by facilitating the integrity management.

Project Quality Management

The Group has formulated the Project Operation Work Guidance (項目運營工作指引) to conduct regular monitoring through the internal team and an independent monitoring company to ensure that all projects comply with relevant regulations and the internal standards of the Group in every stage so that quality and safe buildings can be provided for the public. Before delivering the property to the buyer, the Group, the supervision unit and the construction unit will conduct a final check on quality and appearance to ensure the quality of the property meets the prescribed standards.

Contractors are responsible for property development of the Group, thus maintaining good supply chain management is of utmost importance. To enhance ESG performance of suppliers and contractors, the Group works closely with the supply chain. The Group has formulated the Supply Chain Management, Product Responsibility and Anti-corruption Policy Declaration (《供應鏈管產品責任及反貪污政策聲明》), undertaking to conduct stringent selection of suppliers and conduct review of their performance, to identify environmental and social risks therein and to ensure timely provision of support to suppliers.

Procurement and tendering	The Group supports fair competition, with fair and open selection of suppliers and contractors for creating a level-playing field for higher market efficiently. The Group has established a monitoring system to detect and prevent suppliers and contractors from engaging in corruption, fraud or other malpractice in procurement and tendering.
Construction of projects	All construction units (including contractors and their subcontractors) must carry out construction safety management in accordance with the Guidelines for Safe and Civilised Construction Management. Suppliers shall also comply with the environmental and social requirements including labour rights, product safety and anti-corruption under the Suppliers' code of conduct.

The Group complies with the relevant laws and regulations, such as the Production Safety Law of the PRC (《中華人民共和國安全生產法》), and the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》). During the Year, the Group identified no breach of the laws and regulations in relation to product liability at the Points of Business.

Corporate Integrity

The Regulation Management Work Guideline (《規範管理工作指引》) of the Group regulates the code of conduct and work ethics of staff. The employees are required to declare in writing before engaging in activities that would constitute a conflict of interest. Employees are not allowed to claim any form of benefits or gifts from external business partners. Any details about expensive gifts received by employees shall be declared and approved by the supervisors. The Group has included related terms of anti-corruption in the Staff Handbook, employment contracts and tendering documents to ensure that the employees are aware of the principles and practices of the Group in business ethics.

The Group does not tolerate misconduct. The Group has established a whistle-blowing mechanism to encourage the employees to report illegal acts related to bribes and corruption. All information will be kept confidential. The Group undertakes to investigate thoroughly the reported issue and take appropriate disciplinary actions according to results of the investigations and formulate precautionary measures.

Case story – Special training on legal risk prevention

To nurture employees' awareness regarding legal risk prevention, Nanjing Xinhaoning held a special training in September 2018. The Group invited Beijing Jingshi (Nanjing) Law Firm to provide a presentation covering real-life lawsuit analysis and interpretation as well as definitive proposals on the improvement of the legal risk prevention and measures in relation to commodity housing purchase agreements and commodity housing sales contracts.

The Group complies with the relevant laws and regulations, such as the Criminal Law of the PRC (《中華人民共和國刑法》) and the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法). During the Year, the Group identified no reported case, lawsuit or breach of the laws or regulations in relation to corruption and unfair competition at the Points of Business.

The Group respects customer privacy and complies with information confidentiality. The employees shall properly safeguard customers' and suppliers' information and shall not disclose the information without consent. The Group classifies the information according to the degree of confidentiality and sets confidentiality duration. The Group also encrypts digital confidential documents and shreds void documents in a timely manner.

Promotional works of the Group shall comply with the requirements of laws without conveying misleading information to the public. The Group has formulated management standards for promotional work, requiring that the promotional content must be true, accurate and objective, and avoid subjective judgment and evaluation.

Constant communication with customers is essential to maintain a high level of customer satisfaction. A marketing management center of the Group formulated the Marketing Management Guidelines (營銷管理工作指引) to determine management process and guidelines of marketing plan as well as to provide training to the sales staff, ensuring customers are satisfied with the services and products offered.

The Group respects intellectual property rights. The employees shall comply with Copyright Ordinance and shall not utilize any unlicensed software and digital content in any equipment.

The Group strictly complies with the relevant laws and regulations related to advertising and marketing activities at its Points of Business, such as the Advertising Law of the PRC (《中華人民共和國廣告法》). During the Year, the Group identified no breach of the laws or regulations in relation to advertising.

CREATING A GREEN ENVIRONMENT

The Group is concerned about emissions produced by its business activities including construction design, purchase and construction measures, use of resources, environmental impact and management responsibilities. Our Environmental Protection Policies Declaration summarises our requirements of emissions management, use of resources, environmental and natural resources conservation, ensuring the practice of environmental measures are implemented in our business operations and fulfillment of our undertakings of promoting sustainable development of the environment.

Emissions

The Group undertakes to reduce the air pollutants and greenhouse gas produced in our business operations as well as to manage properly, prevent and reduce the generation of hazardous and non-hazardous wastes in our business operations.

The Group continued to commission a professional consultancy to conduct a carbon assessment and calculate greenhouse gas emissions produced in our operations during the year with reference to the Guide for Greenhouse Gases Emission Accounting Methods and Reporting for Petroleum and Natural Gas Production Enterprises in China (Trial) (中國石油天然氣生產企業溫室氣體排放核算方法和報告指南(試行)). The assessment results enable the Group to review the effectiveness of our measures and further formulate our proposals for improvement.

Greenhouse gas			
	Total Emissions (tCO_2e)		
Scope	Nanjing Zijin Mansion	Yangzhou Jiayuan Centurial City	Total Emissions
Scope 1: Direct Greenhouse Gas Emissions[5]	20.0	23.6	43.6
Scope 2: Indirect Greenhouse Gas Emissions by Consumption of Energy[6]	31.5	274.4	305.9
Total Greenhouse Gas Emissions	51.5	298.0	349.5

Air pollutants			
	Emissions (kg)		
Category	Nanjing Zijin Mansion	Yangzhou Jiayuan Centurial City	Total Emissions
Sulfur Oxides	2.55	5.05	7.60
Nitrogen Oxides	0.66	1.08	1.74
Respirable Suspended Particles	0.24	0.41	0.65

In order to reduce greenhouse gas emissions, our Points of Business adopted a series of measures, for instance, establishment of light zones and flexibly controlled separate lighting system. As for other indirect greenhouse gas emissions, our Points of Business simplified their work procedures to reduce emissions arising from business trips.

5 Source of Scope 1 is liquefied petroleum cooking stoves (only applicable to Centurial City) and gasoline consumed by vehicles

6 Source of Scope 2 is the externally purchased electricity

Apart from greenhouse gas emissions, the use of gasoline also produces gaseous waste and results in air pollution at roadsides and in the city. For company vehicles, our Points of Business adopted various emissions control measures including the selection and purchase of vehicles in compliance with emissions standard of gaseous waste and regular checks and maintenance of vehicles, ensuring the normal operation of air treatment equipment.

As for waste management, the Group encouraged our staff to carry out source reduction and avoid using disposable products. All our Points of Business set recycling bins to implement waste classification for treatment.

Regulation for construction waste treatment

As a property development enterprise, the Group emphasizes construction waste treatment, with the formulation of management procedures for construction waste requiring construction contractors to transport the waste to designated stacking sites according to local governments requirements, or transport them to waste treatment plants for further classification and treatment.

During this year, our Point of Business generated an aggregate of 17.7 tonnes of non-hazardous waste. For Nanjing Zijin Mansion, no substantial amount of construction waste was produced due to the fact that Nanjing Zijin Mansion was close to the stage of completion and so total non-hazardous waste was decreased significantly compared to that of last year. All waste was centralized for processing by the general contractor according to the existing procedures of the Group.

USE OF RESOURCES

The Group understands that all of our office operation, project designs, constructions and sales activities involve the consumption of energy, water resources and other raw materials. The Group undertakes to adopt the principle to reduce usage, re-use and recycle, enhancing efficiency of use of resources in our business operation.

Environment Management of Project Life Cycles	
Planning and design	Project design • Collection, purification and reuse of rainwater and domestic sewage • Optimization of the energy system to increase its efficiency of energy conversion • Reasonable design of proportion of windows to walls area to maximize utilisation of windows so as to collect natural light and ensure natural ventilation and reduce lighting and electricity usage when using air conditioners • Utilization of solar energy and geothermal heat pump technology for heating Product procurement • Selection of water-saving equipment • Selection of recyclable products or products containing recyclable components • Selection of highly durable materials and products • Selection of local materials
Construction management	• Remote control and division of zones for control on lighting in public areas with an aim to reduce energy consumption • Installation of water and electric metres at the jointing positions of sections of landscape projects under construction to measure water and electricity consumption by each project in accordance with Project Operation Work Guidance
Sales and other office activities	• Adoption of electronic communications and electronic filing to reduce use of paper • Tendering via electronic means to promote paperless system

Use of resources					
			Emissions		
Use of energy		Nanjing Zijin Mansion	Yangzhou Jiayuan Centurial City	Total Consumption	
Energy Consumption	Liquefied petroleum gas (MWh equivalent)	0	16	16	
	Gasoline (MWh equivalent)	82	82	164	
	Electricity (MWh equivalent)	45	390	435	
	Total energy consumption (MWh equivalent)	126	488	614	
Water usage					
	Total water consumption (m^3)	3,486	1,825	5,311	

As Nanjing Zijin Mansion was close to the stage of completion, in which the landscape pool was filled with water last year, while delivery of Yangzhou Jiayuan Centurial City was completed in September this year, total water consumption in respect of these projects in this year significantly decreased compared to that of last year.

THE ENVIRONMENT AND NATURAL RESOURCES

Apart from effective management of emissions and use of resources, the Group also highly regards the impact on the environment and natural resources caused by our operation process. The advantages of greenery landscaping not only are the provision of a beautiful landscape but also the alleviation of heat island effect. In the stage of design and planning, Yangzhou Jiayuan Centurial City increased green areas and adopted green roofs to reduce environmental impact.

Climate change posed unprecedented challenges to global economic development. Extreme weather brought by climate change directly or indirectly affects the capabilities of different organizations to acquire resources and maintain their operation. In the future, the Group plans to conduct a comprehensive climate risk assessment which will enable us to make judgments in relation to probability of the occurrence of climate risks and its impact, and in turn formulate practical adaptive measures.

The Group has complied with the relevant laws and regulations such as Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) and Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》). During the Reporting Period, the Group did not identify any cases of breach of regulations relating to the emissions, use of resources or environment and natural resources at its Points of Business.

BUILDING A COMMUNITY

Community investment

The real estate business is closely connected with community building. The Group endeavors to understand the needs of the community where it operates. The Group has formulated the Community Investment Policy Declaration to include social responsibility efforts in the daily management work planning. Currently, the three aspects focused by the Group are:

Sports	Education	Care for the elderly

The Group organized a number of community visits and donation events to contribute to regions in which the Group carries on business. Highlights of this year's events include:

Event	Target
Participating in the Community Chest 35th Walk For Millions	Charity groups
Visiting elderly centres	The elderly
Visiting youth community centres	Teenagers
Visiting rehabilitation centres for the disabled	The disabled

Yangzhou Xiangjiang and Nanjing Xinhaoning have established a constant communication mechanism with local community groups to hold regular meetings related to community works as well as to understand the needs of the community through conducting resident and community opinion surveys to ensure that the community work can be carried out and benefit the locals.

ESG PERFORMANCE AT A GLANCE

Environmental Performance[7]

	Category	Emissions in 2018
Air emission	Sulfur Oxides (kg)	1.74
	Nitrogen Oxides (kg)	7.60
	Respirable Suspended Particles (kg)	0.65

	Scope	Emissions in 2018
Greenhouse gas emission	Scope 1: Direct Greenhouse Gas Emissions (tCO2e)	43.6
	Scope 2: Indirect Greenhouse Gas Emissions by Consumption of Energy (tCO2e)	305.9
	Total Greenhouse Gas Emissions (tCO2e)	349.5

	Category	Waste production in 2018
Waste	Non-hazardous waste (tonnes)	17.7
	Hazardous waste (tonnes)	0

	Category	Energy consumption in 2018
Use of energy	Liquefied petroleum gas (MWh equivalent)	16
	Gasoline (MWh equivalent)	164
	Electricity (MWh equivalent)	435
	Total energy consumption (MWh equivalent)	614

	Category	Water consumption in 2018
Water usage	Total water consumption (m_3)	5,311

7 Environmental performance No environmental performance intensity is included in the data. To provide comparative data for reports in the future, the Group will improve data collection system

Social Performance – employment and labor practices

Total workforce (by region, gender and age)

Place of operation	Gender	By Age Below 30	31-40	41-50	Above 50	Total workforce	Male to female ratio
Yangzhou Jiayuan Centurial City	male	10	7	7	0	43	1.4:1
	female	3	15	1	0		
Nanjing Zijin Mansion	male	8	5	2	0	24	
	female	4	5	0	0		

Total workforce (by region, gender and rank)

Place of operation	Gender	By Position C-level senior management	Senior management	Mid-level management	General staff	Total workforce
Yangzhou Jiayuan Centurial City	male	0	1	5	18	43
	female	0	1	2	16	
Nanjing Zijin Mansion	male	0	1	3	11	24
	female	0	1	3	5	

Number of new employees

Place of operation	Gender	By Age Below 30	31-40	41-50	Above 50	Total number of new employees	New employee rate
Yangzhou Jiayuan Centurial City	male	6	2	2	0	17	36%
	female	3	4	0	0		
Nanjing Zijin Mansion	male	6	0	0	0	7	
	female	0	1	0	0		

Employee turnover

		By Age					
Place of operation	Gender	Below 30	31-40	41-50	Above 50	Total employee turnover	Employee turnover rate
Yangzhou Jiayuan Centurial City	male	3	3	1	0	8	12%
	female	0	2	0	0		
Nanjing Zijin Mansion	male	0	0	0	0	0	
	female	0	0	0	0		

Number of employee suffering from work-related fatality/injury

Gender	Total
male	0
female	

		By Position					
Training	Gender	C-level senior management	Senior management	Mid-level management	General staff	Total	Percentage of employee receiving training
Number of employee trained	male	0	2	7	31	64	96%
	female	0	2	5	17		
Total training hours	male	0	76	91	196	654	
	female	0	76	91	124		
Average training hours per person	male	0	38	11	7	9.8	
	female	0	38	18	6		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX OF THE REPORT

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A1.4	Total non-hazardous waste produced (in tonnes)	70
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A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials`	67
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A2.3	Description of energy use efficiency initiatives and results achieved	67
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved[8]	
A2.5	Total volume of packaging material used for finished products(in tonnes) and, if applicable, with reference to per unit produced[9]	
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	68
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	68

8 The water is provided by municipal authorities. The Points of Business have no difficulty in acquiring water source.

9 No packaging material was used at the Points of Business.

Subject Areas	Content	Page index
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General Disclosure	Policies related to description of training activities and on improving employees' knowledge and skills for discharging duties at work	60
B3.1	The percentage of employees trained by gender and employee category	72
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B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour	62
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Subject Areas	Content	Page index
B5 Supply Chain Management		
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General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and remedies	63-64
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B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities take into consideration the communities' interests.	69

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF JIAYUAN INTERNATIONAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiayuan International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 207, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories of properties under development and properties held for sale	
We identified the valuation of the Group's inventories of properties under development (the "PUD") and properties held for sale (the "PFS") (collectively referred to as the "Properties") as a key audit matter due to the management judgments involved in the determination of the net realisable value (the "NRV") of these Properties and the estimation of future costs to completion of the Properties. The Group's PUD of RMB21,451 million and PFS of RMB4,668 million represented commercial and residential properties, which are mainly located in the People's Republic of China (the "PRC") as at 31 December 2018. As set out in note 4 to the consolidated financial statements, the directors of the Company determined the NRV of these Properties by reference to the estimated market prices of the Properties, which took into account a number of factors including the recent prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC. The directors of the Company estimated the future cost to completion of the PUD by reference to the actual development cost of the Group's other similar completed projects, adjusted by certain current market data. As disclosed in note 4 to the consolidated financial statements, based on the management's estimation of the NRV of the Properties, no impairment was considered to be necessary.	Our procedures in relation to the valuation of the Properties included: • Evaluating the reasonableness of the estimated future costs to completion and costs to sale of the Properties, on a sample basis, by comparing them to the actual development cost of similar completed properties of the Group and comparing the adjustments made by the management to current market data; • Assessing the appropriateness of the NRV of the Properties, on a sample basis, estimated by the management by comparing the estimated selling price to the market prices achieved in the same projects or comparable properties, based on our knowledge of the Group's business and the real estate industry; and • Assessing the accuracy of the estimation of the market price that derive the NRV, future costs to completion and costs to sale of the Properties by comparing the previous estimation to the actual amounts.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combining with the significant judgments inherent in determining the fair value. The investment properties of the Group represent the commercial properties, which were mainly located in the PRC. As disclosed in Note 15 to the consolidated financial statements, the carrying amounts of completed investment properties and investment properties under construction were RMB4,663 million and RMB1,336 million respectively as at 31 December 2018. A change in fair value upon transfer from inventories of properties to investment properties of RMB521 million and a change in fair value of investment properties of RMB355 million was recognised in the consolidated statement of profit or loss for the year then ended. The Group's investment properties are stated at fair value based on valuations carried out by independent qualified professional valuers (the "Valuers"), except the fair value of certain investment properties under construction cannot be reliably determined, these investment properties under construction are measured at cost. Details of the valuation methodology and key inputs used in the valuations are disclosed in Note 15 to the consolidated financial statements. The valuations were dependent on certain key inputs that involve the management's judgment, including monthly term rental, reversionary rental, term yield and reversionary yield for completed investment properties; market unit sales price; gross development value and developer's profit and discount rate for investment properties under construction. A table showing the relationship of significant unobservable inputs to fair value is also disclosed in this note.	Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included: • Evaluating the competence, capabilities, and objectivity of the Valuers and obtaining an understanding of the Valuers' scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuers' valuation approach to assess if they are consistent with the requirements of HKFRSs and industry norms; • Obtaining the detailed work of the Valuers, particularly the key inputs to the valuation on completed investment properties including but not limited to the comparable market prices of properties, term yield, reversionary yield of rental income and vacancy ratio; and the key inputs to the valuation on investment properties under construction including but not limited to the gross development values, developer's profit, marketing costs, construction costs to completion; • Evaluating the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in the PRC; and • Obtaining the latest budget for construction and other costs of investment properties under construction and checking to the information obtained by the Valuers for the valuation.

Key audit matter	How our audit addressed the key audit matter
Provision for land appreciation tax	
We identified the provision for land appreciation tax ("LAT") in the PRC as a key audit matter since significant judgment is required in estimating the amount of LAT to be paid by the Group within each of the property development projects. LAT arises in the PRC when properties are delivered to the buyers and revenue is recognised. As disclosed in Note 10 to the consolidated financial statements, LAT, amounted to RMB648 million is recognised in the consolidated statement of profit or loss for the year ended 31 December 2018. As disclosed in Note 4 to the consolidated financial statements, the LAT calculations are highly dependent on the appropriateness of the rates used, which are determined by the amount of the land appreciation. The amount of the land appreciation is determined by subtracting the deductible amounts, including the costs of land, borrowing costs and relevant property development expenditures from the estimated sales revenue of properties.	Our procedures in relation to the provision for LAT included: • Evaluating the reasonableness of the estimated sales revenue and the related deductible amounts used in the LAT calculation with reference to the market prices and development costs of similar properties; • Engaging our internal tax specialists to assess the accuracy of the land appreciation amount calculations for each of the property development projects, and to assess the appropriateness of the LAT rate used for each of the property development projects by comparing it to the LAT rate announced by the State Administration of Taxation in the PRC; and • Evaluating the judgments applied by the management in estimating the land appreciation amount and LAT rate by comparing their estimates made in previous years to actual results as well as current year's estimates.

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from sales of properties	
We identified revenue recognised from sales of properties as a key audit matter due to the significance of the balance to the consolidated statement of profit or loss, combined with the management judgments involved in determining the appropriate point at which to recognise revenue from sales of properties. Revenue from sales of properties is recognised when (or as) a performance obligation is satisfied, i.e. when control of the properties underlying the particular performance obligation is transferred to customers as disclosed in Note 3 "Revenue from contracts with customers" to the consolidated financial statements are satisfied. The Group recognised revenue of RMB10,382 million from sales of properties for the year ended 31 December 2018 as disclosed in Note 5 to the consolidated financial statements.	Our procedures in relation to the revenue recognised from sales of properties included: • Understanding and testing the Group's internal control on revenue recognised from sales of properties; • Assessing the management's process and control over the point of time at which revenue from sales of properties is recognised; and • Evaluating the terms set out in the sales and purchase agreements, and obtaining evidence including completion certificates and delivery notices, to assess whether the performance obligation is satisfied, i.e. when "control" of the properties underlying the particular performance obligation is transferred to the customers.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Li Man Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	NOTES	**2018 RMB'000**	2017 RMB'000 (Restated)
Revenue	*5*	**10,458,841**	7,606,548
Cost of sales		**(7,152,499)**	(5,031,761)
Gross profit		**3,306,342**	2,574,787
Other income	*7*	**336,393**	58,569
Other gains and losses	*8*	**(257,398)**	79,016
Change in fair value of investment properties		**354,996**	143,737
Change in fair value upon transfer from inventories of properties to investment properties		**520,917**	71,631
Fair value gain on financial assets at fair value through profit or loss		**12,930**	–
Distribution and selling expenses		**(297,569)**	(166,548)
Administrative expenses		**(310,252)**	(215,334)
Other expenses		**(2,266)**	(2,778)
Finance costs	*9*	**(208,208)**	(177,292)
Share of result of an associate		**1,093**	598
Profit before taxation		**3,456,978**	2,366,386
Income tax expense	*10*	**(1,594,092)**	(1,022,270)
Profit for the year	*11*	**1,862,886**	1,344,116
Profit for the year attributable to:			
Owners of the Company		**1,794,430**	1,332,501
Non-controlling interests		**68,456**	11,615
		1,862,886	1,344,116
Earnings per share			
Basic (RMB cents)	*14*	**72.21**	64.10

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 **RMB'000**	2017 RMB'000 (Restated)
Profit for the year	**1,862,886**	1,344,116
Other comprehensive (expense) income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(6,087)**	–
Fair value gain on available-for-sale investment	**–**	1,656
Total comprehensive income for the year	**1,856,799**	1,345,772
Total comprehensive income for the year attributable to:		
Owner of the Company	**1,790,795**	1,334,157
Non-controlling interests	**66,004**	11,615
	1,856,799	1,345,772

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	**31/12/2018 RMB'000**	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
NON-CURRENT ASSETS				
Investment properties	*15*	**5,998,818**	3,906,142	2,766,868
Property and equipment	*16*	**113,539**	87,012	85,759
Interest in an associate	*17*	**31,691**	15,598	–
Available-for-sale investment	*18*	**–**	59,678	53,820
Financial assets at fair value through profit or loss	*19*	**80,871**	–	–
Prepayment and deposit paid for a life insurance policy		**–**	9,444	9,513
Deposits paid for acquisition of subsidiaries	*20*	**1,935,423**	1,524,053	1,400,000
Deferred tax assets	*21*	**446,337**	360,729	228,378
		8,606,679	5,962,656	4,544,338
CURRENT ASSETS				
Inventories of properties	*22*	**26,119,077**	19,736,566	11,868,933
Amounts due from customer for contract work		**–**	–	110,580
Held-to-maturity investment		**–**	–	129,796
Trade and other receivables, deposits and prepayments	*23*	**5,602,933**	2,305,397	1,407,361
Amounts due from non-controlling interests	*39*	**–**	1,337,612	842,336
Amounts due from related parties	*39*	**1,878**	1,350	5,788
Financial assets at fair value through profit or loss	*19*	**707,499**	–	–
Prepaid income tax		**375,722**	271,485	76,376
Restricted/pledged bank deposits	*24*	**1,427,072**	1,003,094	480,847
Bank balances and cash	*24*	**3,906,504**	5,802,281	1,073,110
		38,140,685	30,457,785	15,995,127
CURRENT LIABILITIES				
Trade and other payables and accrued expenses	*25*	**2,871,353**	2,099,914	1,743,907
Pre-sale deposits received	*26*	**10,153,352**	7,979,129	5,771,515
Amounts due to non-controlling interests	*39*	**799,388**	182,565	54,282
Amounts due to related parties	*39*	**381,756**	411,875	390,980
Tax payable		**2,507,291**	1,569,742	745,012
Bank and other borrowings	*27*	**4,801,296**	3,372,604	4,557,016
Senior notes	*28*	**4,477,446**	3,681,736	–
		25,991,882	19,297,565	13,262,712
NET CURRENT ASSETS		**12,148,803**	11,160,220	2,732,415
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,755,482**	17,122,876	7,276,753

	NOTES	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
CAPITAL AND RESERVES				
Share capital	29	**21,083**	20,564	15,558
Reserves		**7,658,157**	6,927,992	3,316,306
Equity attributable to owners of the Company		**7,679,240**	6,948,556	3,331,864
Non-controlling interests		**1,263,799**	44,127	121,781
TOTAL EQUITY		**8,943,039**	6,992,683	3,453,645
NON-CURRENT LIABILITIES				
Bank and other borrowings	27	**7,773,825**	8,357,305	2,314,420
Deferred income	25	**647,722**	693,230	436,341
Deferred tax liabilities	21	**655,833**	430,442	376,697
Senior notes	28	**2,735,063**	649,216	695,650
		11,812,443	10,130,193	3,823,108
		20,755,482	17,122,876	7,276,753

The consolidated financial statements on pages 83 to 207 were approved and authorised for issue by the Board of Directors on 26 March 2019 and are signed on its behalf by:

Cheuk Hiu Nam	**Wang Jianfeng**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 *(Note c)*	Other reserve RMB'000	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 *(Note a)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (As previously stated)	15,558	1,020,394	–	196,843	–	–	48,690	1,925,825	3,207,310	107,942	3,315,252
Merge accounting restatement *(Note 1)*	–	–	22,500	–	–	–	5,661	96,393	124,554	13,839	138,393
At 1 January 2017 (restated)	15,558	1,020,394	22,500	196,843	–	–	54,351	2,022,218	3,331,864	121,781	3,453,645
Profit for the year	–	–	–	–	–	–	–	1,332,501	1,332,501	11,615	1,344,116
Fair value gain on available-for-sale investment	–	–	–	–	1,656	–	–	–	1,656	–	1,656
Total comprehensive income for the year	–	–	–	–	1,656	–	–	1,332,501	1,334,157	11,615	1,345,772
Placing and subscription of shares	5,006	2,195,708	–	–	–	–	–	–	2,200,714	–	2,200,714
Acquisition of additional interest in a subsidiary from a non-controlling shareholder *(Note b)*	–	–	–	81,821	–	–	–	–	81,821	(89,269)	(7,448)
Transfer to reserve	–	–	–	1	–	–	165,354	(165,355)	–	–	–
At 31 December 2017 (Restated)	20,564	3,216,102	22,500	278,665	1,656	–	219,705	3,189,364	6,948,556	44,127	6,992,683
Adjustments *(Note 2)*	–	–	–	–	(1,656)	–	–	1,656	–	–	–
At 1 January 2018 (Restated)	20,564	3,216,102	22,500	278,665	–	–	219,705	3,191,020	6,948,556	44,127	6,992,683
Profit for the year	–	–	–	–	–	–	–	1,794,430	1,794,430	68,456	1,862,886
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(3,635)	–	–	(3,635)	(2,452)	(6,087)
Total comprehensive income for the year	–	–	–	–	–	(3,635)	–	1,794,430	1,790,795	66,004	1,856,799
Dividends recognised as distribution *(Note 13)*	–	(625,286)	–	–	–	–	–	–	(625,286)	–	(625,286)
Issue of shares upon scrip dividend scheme	345	495,310	–	–	–	–	–	–	495,655	–	495,655
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	113,545	113,545
Distribution to the ultimate shareholder and a non-controlling shareholder before acquisition of entities under common control	–	–	–	–	–	–	–	(560,624)	(560,624)	(62,292)	(622,916)
Acquisition of entities under common control *(Note 1)*	174	245,760	(615,790)	–	–	–	–	–	(369,856)	–	(369,856)
Acquisition of subsidiaries *(Note 32)*	–	–	–	–	–	–	–	–	–	1,102,415	1,102,415
Transfer to reserve	–	–	–	–	–	–	160,363	(160,363)	–	–	–
At 31 December 2018	21,083	3,331,886	(593,290)	278,665	–	(3,635)	380,068	4,264,463	7,679,240	1,263,799	8,943,039

Notes:

(a) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(b) On 2 May 2017, Ninggang Jiayuan Investment Consulting Co. Ltd. (previously "Nanjing Gangyuan Investment Consulting Co., Limited") a wholly-owned subsidiary of the Company, acquired additional 20% equity interest of Jiangsu De Run Hong Xiang Property Co., Ltd. ("Jiangsu De Run") held by non-controlling interests for a cash consideration of RMB7,448,000. The difference between the consideration paid and the adjustment to non-controlling interests in the subsidiary of RMB81,822,000 is credited to the other reserve.

(c) Special reserve represents the difference between the consideration paid by the Group to acquire the entities under common control and the aggregate amount of the capital and reserves of those entities acquired.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before taxation	**3,456,978**	2,366,386
Adjustments for:		
Interest income on bank deposits	**(60,904)**	(5,840)
Interest income on loans receivable	**(190,491)**	(29,375)
Interest income on available-for-sale investment	**–**	(6,065)
Interest income on held-to-maturity investment	**–**	(13,367)
Interest income on financial assets at fair value through profit or loss	**(63,791)**	–
Finance costs	**208,208**	177,292
Impairment allowance	**90,497**	–
Share of result of an associate	**(1,093)**	(598)
Depreciation of property and equipment	**9,546**	6,169
Foreign exchange loss (gain), net	**167,016**	(98,914)
Gain on disposal of property and equipment	**(115)**	(607)
Change in fair value of investment properties	**(354,996)**	(143,737)
Change in fair value upon transfer from inventories of properties to investment properties	**(520,917)**	(71,631)
Fair value gain on financial assets at fair value through profit or loss	**(12,930)**	–
Operating cash flows before movements in working capital	**2,727,008**	2,179,713
Decrease (increase) in inventories of properties	**620,039**	(2,554,039)
Decrease in amounts due from customers of contract work	**–**	110,580
(Increase) decrease in trade and other receivables, deposits and prepayments	**(1,716,035)**	246,393
Decrease in amounts due from related parties	**633**	4,438
Increase in financial assets at fair value through profit or loss	**(274,752)**	–
Increase in trade and other payables and accrued expenses	**41,869**	143,932
Increase in pre-sale deposits received	**2,184,550**	1,725,801
Increase in amounts due to related parties	**4,712**	7,048
Cash generated from operations	**3,588,024**	1,863,866
Income tax paid	**(620,997)**	(471,255)
NET CASH FROM OPERATING ACTIVITIES	**2,967,027**	1,392,611

	NOTE	2018 RMB'000	2017 RMB'000 (Restated)
INVESTING ACTIVITIES			
Deposits paid for trust financing arrangements		**(273,424)**	(59,125)
Refund from deposits paid for trust financing arrangements		**28,361**	–
Additions of property and equipment		**(10,376)**	(6,069)
Proceeds from disposal of property and equipment		**219**	745
Additions of investment properties		**(485,690)**	(286,647)
Repayment from non-controlling interests		**1,851,132**	–
Advances to non-controlling interests		**(1,136,436)**	(495,276)
Advances to related companies		**(1,161)**	–
Interest received		**72,471**	19,633
Deposits paid for acquisition of subsidiaries		**(522,674)**	(874,053)
Acquisition of subsidiaries	32	**(3,992,059)**	(3,494,576)
Capital injection to an associate		**(15,000)**	(15,000)
Placement of restricted/pledged bank deposits		**(1,856,083)**	(1,432,094)
Withdrawal of restricted/pledged bank deposits		**1,432,105**	909,847
Loans to independent third parties		**–**	(733,721)
Purchase of financial assets at fair value through profit or loss		**(369,911)**	–
Proceeds from disposal of held-to-maturity investment		**–**	125,889
NET CASH USED IN INVESTING ACTIVITIES		**(5,278,526)**	(6,340,447)
FINANCING ACTIVITIES			
Proceeds from borrowings		**6,708,218**	9,501,864
Repayment of borrowings		**(7,520,176)**	(4,637,174)
Repayment of other unsecured interest-free advances		**–**	(86,470)
Interest paid		**(1,097,503)**	(1,121,356)
Proceeds from placing and subscription of shares		**–**	2,200,714
Proceeds from issuance of senior notes		**6,136,221**	3,684,747
Repayment of senior notes		**(3,918,140)**	–
Acquisition of additional interest in a subsidiary from a non-controlling shareholder		**–**	(7,448)
Advances from non-controlling interests		**523,252**	128,283
Repayment to non-controlling interests		**(182,565)**	–
Advances from related parties		**–**	13,847
Repayment to related parties		**(404,687)**	–
Dividend distribution		**(129,631)**	–
Capital contribution from non-controlling shareholders of subsidiaries		**113,545**	–
NET CASH FROM FINANCING ACTIVITIES		**228,534**	9,677,007
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,082,965)**	4,729,171
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**187,188**	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**5,802,281**	1,073,110
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash		**3,906,504**	5,802,281

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Jianyuan International Group Limited ("the Company") was incorporated on 5 May 2015 and registered in the Cayman Islands as an exempted company with limited liability. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"). Its immediate and ultimate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the "Ultimate Shareholder"). The addresses of the registered office of the Company and the principal place of business are disclosed in the corporate information section to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Company is an investment holding company.

The principal activities of its subsidiaries are set out in Note 40.

Merger accounting for business combination involving entities under common control

On 17 November 2018, the Company acquired the entire issued share capital of Huyuan Holdings Limited ("Huyuan"), a company incorporated in BVI, from the Ultimate Shareholder (the "Acquisition") in consideration of HK$693,629,000 (equivalent to approximately RMB615,790,000) which was settled (i) as to HK$277,452,000 (equivalent to approximately RMB245,934,000)) by the allotment and issue of 19,566,400 ordinary shares of the Company to the Ultimate Shareholder at HK$14.18 per share; and (ii) as to HK$416,177,000 (equivalent to approximately RMB369,856,000) in cash. The principal activities of Huyuan and its acquired subsidiaries ("Huyuan Group") are property development and investment in Shanghai of the People's Republic of China (the "PRC").

In accordance with the Group's accounting policies set out in Note 3, the directors of the Company have applied merger accounting to the acquisition of Huyuan Group, being a business combination involving entities under common control, under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Group and Huyuan Group are regarded as continuing entities.

Under merger accounting, based on the guidance set out in AG 5, the consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share/registered capital of the combining entities or businesses against the related investment costs have been made to special reserve in the consolidated statement of changes in equity.

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior years have been restated to include the operating results of the Huyuan Group as if this acquisition had been completed since the date the respective business came under the common control of the Company. The consolidated statement of financial position as at 1 January 2017 and 31 December 2017 have been restated to adjust the carrying amounts of the assets and liabilities of the Huyuan Group which had been in existence as at 1 January 2017 and 31 December 2017 as if those entities or businesses were combined from the date when they first came under the common control of the Company (see below for the financial impacts).

The effect of restatements described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 by line items is as follows:

	Year ended 31 December 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	Year ended 31 December 2017 RMB'000 (Restated)
Revenue	6,948,775	657,773	7,606,548
Cost of sales	(4,550,110)	(481,651)	(5,031,761)
Gross profit	2,398,665	176,122	2,574,787
Other income	58,569	–	58,569
Other gains and losses	79,016	–	79,016
Change in fair value of investment properties	137,237	6,500	143,737
Change in fair value upon transfer from inventories of properties to investment properties	71,631	–	71,631
Distribution and selling expenses	(155,366)	(11,182)	(166,548)
Administrative expenses	(178,308)	(37,026)	(215,334)
Other expenses	(2,778)	–	(2,778)
Finance costs	(150,756)	(26,536)	(177,292)
Share of result of an associate	598	–	598
Profit before taxation	2,258,508	107,878	2,366,386
Income tax expense	(968,196)	(54,074)	(1,022,270)
Profit for the year	1,290,312	53,804	1,344,116
Profit for the year attributable to:			
Owners of the Company	1,284,077	48,424	1,332,501
Non-controlling interests	6,235	5,380	11,615
Profit for the year	1,290,312	53,804	1,344,116

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

	Year ended 31 December 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	Year ended 31 December 2017 RMB'000 (Restated)
Profit for the year	1,290,312	53,804	1,344,116
Other comprehensive income			
Item that maybe reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investment	1,656	–	1,656
Profit for the year	1,291,968	53,804	1,345,772
Total comprehensive income for the year attributable to:			
Owners of the Company	1,285,733	48,424	1,334,157
Non-controlling interests	6,235	5,380	11,615
	1,291,968	53,804	1,345,772

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements on the consolidated statement of financial position as at 1 January 2017 is as follows:

	1 January 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	1 January 2017 RMB'000 (Restated)
NON-CURRENT ASSETS			
Investment properties	2,173,368	593,500	2,766,868
Property and equipment	85,507	252	85,759
Available-for-sale investment	53,820	–	53,820
Prepayment and deposit paid for a life insurance policy	9,513	–	9,513
Deposits paid for acquisition of subsidiaries	1,400,000	–	1,400,000
Deferred tax assets	216,673	11,705	228,378
	3,938,881	605,457	4,544,338
CURRENT ASSETS			
Inventories of properties	10,566,652	1,302,281	11,868,933
Amounts due from customer for contract work	110,580	–	110,580
Held-to-maturity investment	129,796	–	129,796
Trade and other receivables, deposits and prepayments	1,168,969	238,392	1,407,361
Amounts due from non-controlling interests	–	842,336	842,336
Amounts due from related parties	3,934	1,854	5,788
Prepaid income tax	66,400	9,976	76,376
Restricted/pledged bank deposits	438,795	42,052	480,847
Bank balances and cash	977,653	95,457	1,073,110
	13,462,779	2,532,348	15,995,127

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements on the consolidated statement of financial position as at 1 January 2017 is as follows: (Continued)

	1 January 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	1 January 2017 RMB'000 (Restated)
CURRENT LIABILITIES			
Trade and other payables and accrued expenses	1,052,061	691,846	1,743,907
Pre-sale deposits received	5,167,027	604,488	5,771,515
Amounts due to non-controlling interests	–	54,282	54,282
Amounts due to related parties	140	390,840	390,980
Tax payable	700,563	44,449	745,012
Bank and other borrowings	3,385,640	1,171,376	4,557,016
	10,305,431	2,957,281	13,262,712
NET CURRENT ASSETS (LIABILITIES)	3,157,348	(424,933)	2,732,415
TOTAL ASSETS LESS CURRENT LIABILITIES	7,096,229	180,524	7,276,753
CAPITAL AND RESERVES			
Share capital	15,558	–	15,558
Reserves	3,191,752	124,554	3,316,306
Equity attributable to owners of the Company	3,207,310	124,554	3,331,864
Non-controlling interests	107,942	13,839	121,781
TOTAL EQUITY	3,315,252	138,393	3,453,645
NON-CURRENT LIABILITIES			
Bank and other borrowings	2,314,420	–	2,314,420
Deferred income	436,341	–	436,341
Deferred tax liabilities	334,566	42,131	376,697
Senior notes	695,650	–	695,650
	3,780,977	42,131	3,823,108
	7,096,229	180,524	7,276,753

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

The financial effect of the restatements to the Group's equity on 1 January 2017 is summarised below:

	1 January 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	1 January 2017 RMB'000 (Restated)
Share capital	15,558	–	15,558
Share premium	1,020,394	–	1,020,394
Special reserve	–	22,500	22,500
Other reserve	196,843	–	196,843
Statutory surplus reserve	48,690	5,661	54,351
Retained earnings	1,925,825	96,393	2,022,218
Total	3,207,310	124,554	3,331,864
Non-controlling interests	107,942	13,839	121,781
Total equity	3,315,252	138,393	3,453,645

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements on the consolidated statement of financial position as at 31 December 2017 is as follows:

	31 December 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	31 December 2017 RMB'000 (Restated)
NON-CURRENT ASSETS			
Investment properties	3,306,142	600,000	3,906,142
Property and equipment	85,268	1,744	87,012
Interest in an associate	15,598	–	15,598
Available-for-sale investment	59,678	–	59,678
Prepayment and deposit paid for a life insurance policy	9,444	–	9,444
Deposits paid for acquisition of subsidiaries	1,524,053	–	1,524,053
Deferred tax assets	359,992	737	360,729
	5,360,175	602,481	5,962,656
CURRENT ASSETS			
Inventories of properties	18,364,374	1,372,192	19,736,566
Trade and other receivables, deposits and prepayments	2,117,135	188,262	2,305,397
Amounts due from non-controlling interests	–	1,337,612	1,337,612
Amounts due from related parties	–	1,350	1,350
Prepaid income tax	237,146	34,339	271,485
Restricted/pledged bank deposits	1,001,427	1,667	1,003,094
Bank balances and cash	5,715,274	87,007	5,802,281
	27,435,356	3,022,429	30,457,785

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

The effect of restatements on the consolidated statement of financial position as at 31 December 2017 is as follows: (Continued)

	31 December 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	31 December 2017 RMB'000 (Restated)
CURRENT LIABILITIES			
Trade and other payables and accrued expenses	1,735,640	364,274	2,099,914
Pre-sale deposits received	6,358,397	1,620,732	7,979,129
Amount due to a non-controlling interest	–	182,565	182,565
Amounts due to related parties	6,576	405,299	411,875
Tax payable	1,559,516	10,226	1,569,742
Bank and other borrowings	3,233,346	139,258	3,372,604
Senior notes	3,681,736	–	3,681,736
	16,575,211	2,722,354	19,297,565
NET CURRENT ASSETS	10,860,145	300,075	11,160,220
TOTAL ASSETS LESS CURRENT LIABILITIES	16,220,320	902,556	17,122,876
CAPITAL AND RESERVES			
Share capital	20,564	–	20,564
Reserves	6,755,015	172,977	6,927,992
Equity attributable to owners of the Company	6,775,579	172,977	6,948,556
Non-controlling interests	24,907	19,220	44,127
TOTAL EQUITY	6,800,486	192,197	6,992,683
NON-CURRENT LIABILITIES			
Bank and other borrowings	7,690,605	666,700	8,357,305
Deferred income	693,230	–	693,230
Deferred tax liabilities	386,783	43,659	430,442
Senior notes	649,216	–	649,216
	9,419,834	710,359	10,130,193
	16,220,320	902,556	17,122,876

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Merger accounting for business combination involving entities under common control (Continued)

The financial effect of the restatements to the Group's equity on 31 December 2017 is summarised below:

	31 December 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	31 December 2017 RMB'000 (Restated)
Share capital	20,564	–	20,564
Share premium	3,216,102	–	3,216,102
Special reserve	–	22,500	22,500
Other reserve	278,665	–	278,665
Investment revaluation reserve	1,656	–	1,656
Statutory surplus reserve	212,955	6,750	219,705
Retained earnings	3,045,637	143,727	3,189,364
Total	6,775,579	172,977	6,948,556
Non-controlling interests	24,907	19,220	44,127
Total equity	6,800,486	192,197	6,992,683

The effect of the restatement on the Group's basic earnings per share for the year ended 31 December 2017 is as follows:

	For the year ended 31 December 2017 RMB cents
As audited and originally stated	62.35
Adjustments arising from business combination under common control	1.75
Restated	64.10

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

The Group has early applied the amendments to HKAS 40 *Transfers of Investment Property* in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017 with a date of initial application on 1 January 2017 with no impact on the opening retained earnings as at 1 January 2017.

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Property development for sale

- Property investment (not within the scope of HKFRS 15)

Revenue from leasing of investment properties will continue to be accounted for in accordance with HKAS 17 *Leases*, whereas revenue from other sources will be accounted for under HKFRS 15.

The Group's contract liabilities are presented as pre-sale deposits on the consolidated statement of financial position.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 5 and 3 respectively.

Taking into account the changes in accounting policy arising from initial application of HKFRS 15, the directors of the Company considered that the initial application of HKFRS 15 has no material impact to the consolidated financial statements of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and financial guarantee contracts and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investment RMB'000	Deposit paid for a life insurance policy RMB'000	Financial assets at fair value through profit or loss ("FVTPL") RMB'000	Investment revaluation reserve RMB'000	Retained earnings RMB'000
Closing balance at 31 December 2017 – HKAS 39	(a),(b)	59,678	9,444	–	1,656	3,189,364
Effect arising from initial application of HKFRS 9:						
Reclassification						
From available-for-sale	(a)	(59,678)	–	59,678	(1,656)	1,656
From loans and receivables	(b)	–	(9,444)	9,444	–	–
Opening balance at 1 January 2018		–	–	69,122	–	3,191,020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 HKFRS 9 *Financial Instruments* (continued)

(a) Available-for-sale ("AFS") investment

From AFS investment to financial asset at FVTPL

At the date of initial application of HKFRS 9, the Group's investment in debt instrument with a fair value of RMB59,678,000 was reclassified from available-for-sale investment to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. The fair value gain of RMB1,656,000 relating to this debt instrument previously carried at fair value was transferred from investment revaluation reserve to retained earnings as at 1 January 2018.

(b) Loans and receivables

From amortised cost to FVTPL

Deposit paid for a life insurance policy of RMB9,444,000 previously classified as loans and receivables was reclassified to FVTPL upon the application of HKFRS 9 because its cash flows do not represent solely payments of principal and interest on the principal amount outstanding.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all rental receivables. To measure the ECL, rental receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of other deposits, other receivables, restricted/pledged bank deposits, bank balances, loans receivable and financial guarantees are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

The application of the HKFRS 9 has no significant impact on the provision of impairment of financial assets in the current year and retained earnings at 1 January 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessee, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 16 *Leases* (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group. Upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature, as appropriate.

Under HKAS 17, the Group has already recognised prepaid lease payments for certain leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB1,432,000 as disclosed in Note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosures as indicated above.

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application to opening accumulated losses without restating comparative information.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRS Standards and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, available-for-sale investment and financial assets at FVTPL which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value (the "NRV") in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income and expense of subsidiaries are attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and, (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in an associate

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

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The contract liabilities are presented as pre-sale deposits received on the consolidated statement of financial position.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

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.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related tax.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sale of properties in the ordinary course of business is recognised upon delivery of the properties to the buyers, at which time all of the following criteria are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposit received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment including leasehold land and building held for administrative purpose are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Property under construction or development for future use as an investment property is classified as investment property under construction and is initially measured at cost and subsequently at fair values using the fair value model. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or development is completed, whichever is earlier, in which time any difference between the fair value and the carrying amount will be recognised in profit or loss in that period.

Properties under development and properties held for sales are transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and buildings elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Properties under development

When the leasehold land and buildings are in the course of development for sale, the leasehold land component is amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development which are intended to be held for sale are shown as current assets and carried at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale.

Properties under development for sale are transferred to completed properties held for sale upon completion.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less all estimated costs of completion and costs necessary to make the sales.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations applies*.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and other deposits, amounts due from related parties, restricted/pledged bank deposits and bank balance and cash), rental receivables and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and rental receivables. The ECL on these assets are assessed collectively by using a provision matrix, grouped by past due status.

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

(i) Significant increase in credit risk

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)

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

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on past due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income 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 amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified as AFS financial assets, loans and receivables and held-to-maturity investment. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchase or sales of financial assets that require delivery of assets that require delivery of assets within the time frame established by regulation or convention in the market place.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Debt investment held by the Group that is classified as AFS financial asset is measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS debt investment relating to interest income calculated using the effective interest method is recognised in profit or loss. Other changes in the carrying amount of AFS financial asset is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Loans and receivables

Loans and receivables (including deposit paid for a life insurance policy, trade and other receivables and deposits, amounts due from related parties, amounts due from NCI, restricted/pledged bank deposits, bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market and that the Group has the positive intention and ability to hold to maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contacts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for indicators of impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When a AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to related parties, amounts due to non-controlling interests, bank and other borrowings and senior notes) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 January 2018)/HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of HKFRS 9 on 1 January 2018); and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Senior notes

Senior notes issued by the Company that both liability and early redemption option are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option are recognised at fair value.

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

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Renminbi) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on fair value of investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties as the Group is subject to enterprise income tax ("EIT"). The carrying amount of deferred taxation on investment properties at 31 December 2018 was RMB613,462,000 (31 December 2017: RMB394,484,000 and 1 January 2017: RMB340,642,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction costs estimation for revenue recognition

Certain projects of the Group are divided into several phases according to the development and delivery plans. The Group recognises sales upon delivery of properties. Cost of sales including construction costs specific to the phases and common costs allocable to the phases are calculated based on management's best estimation of the total development costs for the whole project and the allocation to each phase at the time when the properties are delivered.

Valuation of inventories of properties

The Group's inventories of properties are stated at the lower of cost and the NRV. The management of the Group make significant judgment on the estimation of market prices and future costs to completion in determining the NRV of these inventories of properties.

Based on the experience of the management of the Group and the nature of the subject properties, the management of the Group determines the NRV of these inventories of properties by reference to the estimated future costs to completion, costs to sale and market prices of the inventories of properties, which takes into account a number of factors including the recent prices of similar property types in the same project or by similar properties, and market conditions in the prevailing real estate markets. The directors of the Company estimate the future costs to completion and costs to sale of the inventories of properties by reference to the actual development cost and selling expenses of other similar completed projects of the Group, adjusted by certain current market data.

If there is an increase in costs to completion or a decrease in estimated market prices, this may result in write-downs for these inventories of properties. Such write-downs require the use of judgment and estimates of the management of the Group. The carrying amount of inventories of properties at 31 December 2018 was RMB26,119,077,000 (31 December 2017: RMB19,736,566,000 and 1 January 2017: RMB11,868,933,000). Based on the management's estimation of the NRV of the inventories of properties, no impairment were considered to be necessary.

Estimate of fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the assumptions used in valuation have reflected the current market conditions. The carrying amount of investment properties at 31 December 2018 was RMB5,998,818,000 (31 December 2017: RMB3,906,142,000 and 1 January 2017: RMB2,766,868,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimate of the PRC land appreciation tax ("LAT")

The 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 cost of land, borrowing costs and relevant property development expenditures.

The Group is subject to LAT in the PRC. The details of implementation have been announced by local tax bureaux in certain major cities, however, the Group has not finalised its LAT calculation and payments with local tax bureaux in certain cities in the PRC. Accordingly, significant judgments are required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made. The amount of PRC LAT recognised for the year ended 31 December 2018 is RMB648,368,000 (2017: RMB498,815,000).

5. REVENUE

Revenue represents income from sales of properties and property rental income earned during the year, net of sales related tax, and is analysed as follows:

For the year ended 31 December 2018

	2018 **RMB'000**	2017 RMB'000 (Restated)
Sales of properties	**10,381,864**	7,529,336
Property rental	**76,977**	77,212
Total	**10,458,841**	7,606,548

5. REVENUE (CONTINUED)

For the year ended 31 December 2018 (Continued)

	For the year ended 31 December 2018 RMB'000
Types of goods	
Residential apartments	8,602,106
Retail shops	1,779,758
	10,381,864
Geographical market	
Taixing	1,495,694
Taizhou	80,081
Shanghai	1,771,470
Suqian	965,555
Yangzhou	3,922,650
Nanjing	526,379
Nantong	914,731
Zhenjiang	549,560
Changzhou	155,744
Total	10,381,864
Timing of revenue recognition	
At a point in time	10,381,864

Performance obligations for contracts with customers

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives certain percentage of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining amount of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the amounts of the contract price paid by the customers.

5. REVENUE (CONTINUED)

Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows for sales of properties:

	RMB'000
Within one year	**4,354,220**
More than one year but not more than two years	**5,431,110**
More than two years	**1,266,906**
	11,052,236

6. SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(i) Property development – development and sales of office premises, shopping arcade and residential properties

(ii) Property investment – leasing of office premises, hotel, shopping arcade and carparks

(iii) Development services – development of resettlement properties and other public facilities

No segment revenue and results are presented for the provision of development services as there is no revenue generated and expenses incurred for this segment during the years ended 31 December 2018 and 2017. The Group will continue to engage in the provision of development services in the future.

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Information regarding the above segments is reported below.

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments for the years:

	Segment revenue		Segment profit	
	2018 RMB'000	2017 RMB'000 (Restated)	**2018 RMB'000**	2017 RMB'000 (Restated)
Property development	**10,381,864**	7,529,336	**2,580,197**	2,191,791
Property investment	**76,977**	77,212	**76,977**	77,212
Total	**10,458,841**	7,606,548	**2,657,174**	2,269,003
Other gains and losses			**(166,901)**	79,016
Interest income			**315,186**	54,647
Central administration costs			**(30,209)**	(74,954)
Change in fair value of investment properties			**354,996**	143,737
Change in fair value upon transfer from inventories of properties to investment properties			**520,917**	71,631
Fair value gain on financial assets at fair value through profit or loss			**12,930**	–
Finance costs			**(208,208)**	(177,292)
Share of result of an associate			**1,093**	598
Profit before taxation			**3,456,978**	2,366,386

Segment profit represents the profit earned by each segment without allocation of central administration costs, other gains and losses, interest income, change in fair value of investment properties, fair value gains on financial assets at FVTPL, change in fair value upon transfer from inventories of properties to investment properties, finance costs and share of result of an associate. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years reported.

6. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Property development	
	2018	2017
	RMB'000	RMB'000
		(Restated)
Amount included in the measure of segment profit or loss:		
Depreciation of property and equipment	**9,546**	6,169
Gain on disposals of property and equipment	**(115)**	(607)

Geographical information

The following tables set out information about the Group's revenue from external customers by cities in the PRC, based on the location at which the properties are sold, properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	Revenue from external customers	
	2018	2017
	RMB'000	RMB'000
		(Restated)
Taizhou	**1,595,412**	2,383,832
Shanghai	**1,821,363**	657,773
Suqian	**970,866**	848,526
Yangzhou	**3,922,447**	3,166
Nanjing	**526,379**	3,527,979
Nantong	**914,731**	–
Zhenjiang	**549,560**	–
Changzhou	**158,083**	185,272
	10,458,841	7,606,548

6. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

	Non-current assets	
	2018	2017
	RMB'000	RMB'000
		(Restated)
Changzhou	**337,790**	324,074
Hong Kong	**598,131**	91,490
Nanjing	**841,123**	673,012
Taizhou	**2,890,782**	1,302,090
Suqian	**232,245**	227,443
Yangzhou	**1,096,139**	786,500
Nantong	**114**	138
Zhenjiang	**368**	543
Macau	**1,304**	1,073
Shanghai	**651,518**	601,744
Shenzhen	**1,182,019**	1,524,559
Taicang	**428**	139
Cambodia	**246,935**	–
Zhuhai	**500**	–
Vietnam	**75**	–
	8,079,471	5,532,805

Note: Non-current assets excluded available-for-sale investment, financial assets at FVTPL, prepayment and deposit paid for a life insurance policy and deferred tax assets.

Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for the years reported.

7. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Interest income on bank deposits	**60,904**	5,840
Interest income on financial assets at fair value through profit or loss	**63,791**	–
Interest income on loans receivable	**190,491**	29,375
Interest income on available-for-sale investment	**–**	6,065
Interest income on held-to-maturity investment	**–**	13,367
Others	**21,207**	3,922
	336,393	58,569

8. OTHER GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Gain on disposals of property and equipment	**115**	607
Impairment allowance:		
Expected credit losses on financial assets	**(75,746)**	–
Others	**(14,751)**	–
Foreign exchange (loss) gain, net	**(167,016)**	78,409
	(257,398)	79,016

9. FINANCE COSTS

	2018 RMB'000	2017 RMB'000 (Restated)
Interests on bank and other borrowings	**739,330**	1,012,129
Interests on senior notes *(Note 28)*	**777,336**	158,249
	1,516,666	1,170,378
Less: Capitalised in investment properties under construction/properties under development	**(1,308,458)**	(993,086)
	208,208	177,292

Finance costs have been capitalised for investment properties under construction and properties under development at average rate of 6.19% (2017: 5.83%) per annum for the year ended 31 December 2018.

10. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000 (Restated)
Current tax:		
EIT in the PRC	**805,941**	602,061
LAT	**648,368**	498,815
	1,454,309	1,100,876
Deferred tax *(Note 21)*	**139,783**	(78,606)
	1,594,092	1,022,270

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during both years.

No provision for Hong Kong Profits Tax and Macau Complementary Tax has been recognised in the consolidated financial statements during both years as the Group does not have assessable profit which arises in, or is derived from Hong Kong and Macau respectively.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and amended on 8 January 2013, and the Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and certain expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

10. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Profit before taxation	**3,456,978**	2,366,386
PRC EIT at 25%	**864,244**	591,597
Tax effect of expenses not deductible for tax purpose	**304,982**	62,405
Tax effect of income not taxable for tax purpose	**(43,951)**	(47,265)
Tax effect of tax losses not recognised	**15,411**	47,339
Utilisation of tax losses previously not recognised	**(32,870)**	(5,917)
LAT	**648,368**	498,815
Tax effect of LAT	**(162,092)**	(124,704)
Tax charge for the year	**1,594,092**	1,022,270

11. PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000 (Restated)
Profit for the year has been arrived at after charging (crediting):		
Cost of properties held for sale recognised as expenses	**7,152,499**	5,031,761
Depreciation of property and equipment	**9,554**	6,253
Less: Capitalised in properties under development	**(8)**	(84)
	9,546	6,169
Auditors' remuneration	**2,530**	2,186
Donations (included in other expenses)	**626**	2,437
Minimum lease payments under operating lease for land and buildings	**4,941**	1,893
Rental income from investment properties (net of negligible outgoings)	**(76,977)**	(77,212)
Directors' emoluments *(Note 11)*	**5,474**	6,908
Other staff costs		
Salaries and other allowances	**85,824**	59,275
Retirement benefit costs	**7,382**	5,034
Total staff costs	**98,680**	71,217
Less: Capitalised in properties under development	**(10,935)**	(13,309)
	87,745	57,908

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the directors and the chief executive of the Company during the years are as follows:

	2018 RMB'000	2017 RMB'000
Directors' fee	600	600
Other emoluments		
– Salaries and other allowances	2,730	3,409
– Performance related bonus *(Note)*	2,070	2,814
– Retirement benefit scheme contributions	74	85
	5,474	6,908

The emoluments of the directors and chief executive are as follow:

	Fee RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000 *(Note)*	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2018					
Executive Directors					
Ms. Cheuk Hiu Nam *(Note i)*	–	200	–	–	200
Mr. Huang Fuqing *(Note i)*	–	844	1,392	42	2,278
Mr. Wang Jianfeng *(Note i)*	–	843	678	16	1,537
Non-Executive Director					
Mr. Shum Tin Ching *(Note ii)*	–	843	–	16	859
Independent non-executive Directors					
Mr. Tai Kwok Leung, Alexander *(Note iii)*	200	–	–	–	200
Dr. Cheung Wai Bun, Charles, JP *(Note iii)*	200	–	–	–	200
Mr. Gu Yunchang *(Note iii)*	200	–	–	–	200
	600	2,730	2,070	74	5,474

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

	Fee RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000 *(Note)*	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2017					
Executive Directors					
Ms. Cheuk Hiu Nam *(Note i)*	–	1,003	918	15	1,936
Mr. Huang Fuqing *(Note i)*	–	802	1,326	40	2,168
Mr. Wang Jianfeng *(Note i)*	–	802	570	15	1,387
Non-Executive Director					
Mr. Shum Tin Ching *(Note ii)*	–	802	–	15	817
Independent non-executive Directors					
Mr. Tai Kwok Leung, Alexander *(Note iii)*	200	–	–	–	200
Dr. Cheung Wai Bun, Charles, JP *(Note iii)*	200	–	–	–	200
Mr. Gu Yunchang *(Note iii)*	200	–	–	–	200
	600	3,409	2,814	85	6,908

Notes:

(i) Ms. Cheuk Hiu Nam, Mr. Huang Fuqing and Mr. Wang Jianfeng were appointed as executive directors of the Company on 27 July 2015. Mr. Zhang Yi was appointed as an executive director and the president of the Company on 17 February 2019. Ms. Cheuk Hiu Nam ceased to be the Chief Executive of the Company on 17 February 2019 while her emoluments disclosed above include those for services rendered by her as the Chief Executive. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) Mr. Shum Tin Ching was appointed as a non-executive director of the Company on 27 July 2015. The non-executive director's emoluments shown above were for services as a director of the Company.

(iii) Mr. Tai Kwok Leung, Alexander, Dr. Cheng Wai Bun, Charles, JP and Mr. Gu Yunchang were appointed as independent non-executive directors of the Company on 12 February 2016. The independent non-executive directors' emoluments shown above were for services as directors of the Company.

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

The five highest paid individuals included two directors for the year ended 31 December 2018 (2017: three directors). The remunerations of the remaining three (2017: two) highest paid individuals for the year are as follows:

	2018 RMB'000	2017 RMB'000
Employees		
– Salaries and other allowances	**2,683**	1,081
– Performance related bonus *(Note)*	**1,895**	1,425
– Retirement benefit scheme contributions	**171**	93
	4,749	2,599

The remuneration were within the following bands:

	Number of individuals	
	2018	2017
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	–

During both years, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the years.

Note: Performance related bonus is determined by reference to the performance of individuals and market trend.

13. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Dividends recognised as distribution during the year:		
Final dividend declared for the year ended 31 December 2017		
– HK19 cents (2017: nil) per share	**405,036**	–
Interim dividend declared for the year ended 31 December 2018		
– HK10 cents (2017: nil) per share	**220,250**	–
	625,286	–
Dividend proposed in respect of current year:		
Final dividend proposed – HK11 cents (2017: HK19 cents) per ordinary share	**247,441**	372,943

13. DIVIDENDS (CONTINUED)

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK11 cents (2017: HK19 cents) per ordinary share, in an aggregate amount of HK$281,727,000, approximately RMB247,441,000, (2017: HK$465,880,000, approximately RMB372,943,000) taking into account 2,561,151,991 (2017: 2,452,000,000) ordinary shares in issue at the reporting date, have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period will be either payable in cash or in form of new fully paid shares of the Company in respect of part or all of such final dividend at shareholders' option. The final dividend proposed has not been recognised as a liability in these consolidated financial statements.

During the year ended 31 December 2018, share scrip alternatives were offered in respect of the 2017 final and 2018 interim dividends. These share scrip alternatives were accepted by shareholders, as follows:

	2018	
	HK$'000	**Equivalent to RMB'000**
Dividends		
Cash	**147,901**	**129,631**
Scrip dividend alternative *(Note 29)*	**565,813**	**495,655**
	713,714	**625,286**

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2018 RMB'000	2017 RMB'000 (Restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**1,794,430**	1,332,501

	'000	'000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,484,971**	2,078,897

No diluted earnings per share for the years ended 31 December 2018 and 2017 was presented as there were no potential ordinary shares in issue in both years.

15. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
FAIR VALUE			
At 1 January 2017 (restated)	1,849,968	916,900	2,766,868
Additions	41,900	284,636	326,536
Transfer from inventories of properties	–	597,370	597,370
Transfer	648,702	(648,702)	–
Change in fair value upon transfer from inventories of properties to investment properties	–	71,631	71,631
Net change in fair value recognised in profit or loss	(14,428)	158,165	143,737
At 31 December 2017 (restated)	2,526,142	1,380,000	3,906,142
Additions	13,085	511,412	524,497
Exchange realignment	–	17,183	17,183
Transfer from inventories of properties	675,083	–	675,083
Transfer	838,000	(838,000)	–
Change in fair value upon transfer from inventories of properties to investment properties	520,917	–	520,917
Net change in fair value recognised in profit or loss	89,606	265,390	354,996
At 31 December 2018	**4,662,833**	**1,335,985**	**5,998,818**

The completed investment properties and investment properties under construction are situated in the PRC and Cambodia (2017: all situated in the PRC) under medium-term leases and long-term lease respectively. The completed investment properties are rented out under operating leases.

The fair values of the Group's investment properties at 31 December 2018 and 2017 have been arrived at on the basis of valuations on those dates, except for the investment property under construction in Cambodia ("Cambodia IP") which newly acquired during the year ended 31 December 2018, carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. As at 31 December 2018, Cambodia IP is measured at cost of RMB244,721,000, which is included in the total investment properties of RMB5,998,818,000, as its fair value cannot be reliably measured. In the opinion of the director, the carrying amount of the Cambodia IP approximates its fair value.

The valuations of completed investment properties ("Completed IP") were arrived by adoption of income capitalisation approach after considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the respective properties.

15. INVESTMENT PROPERTIES (CONTINUED)

The valuations of investment properties under construction ("IP under construction") were arrived by adoption of residual approach. Residual approach is adopted when IP under construction is close to completion state based on market observable transactions of completed properties with the basis that they will be developed and completed in accordance with the latest development proposals and taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development and developer's profit.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

All of the Group's property interests held under operating leases in the PRC to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Details of the Group's investment properties, other than Cambodia IP, which are classified as Level 3 in the fair value hierarchy as at 31 December 2018 and 2017 are as follows:

	Completed IP RMB'000	**IP under construction RMB'000**	**Total fair value as at 31.12.2018 RMB'000**
Properties in Changzhou	**337,450**	**–**	**337,450**
Properties in Yangzhou	**90,788**	**1,003,564**	**1,094,352**
Properties in Shanghai	**649,800**	**–**	**649,800**
Properties in Taixing	**2,056,000**	**87,700**	**2,143,700**
Properties in Taizhou	**457,904**	**–**	**457,904**
Properties in Suqian	**231,891**	**–**	**231,891**
Properties in Nanjing	**839,000**	**–**	**839,000**
	4,662,833	**1,091,264**	**5,754,097**

	Completed IP RMB'000 (Restated)	IP under construction RMB'000 (Restated)	Total fair value as at 31.12.2017 RMB'000 (Restated)
Properties in Changzhou	324,000	–	324,000
Properties in Yangzhou	73,652	711,000	784,652
Properties in Shanghai	600,000	–	600,000
Properties in Taixing	864,900	–	864,900
Properties in Taizhou	436,590	–	436,590
Properties in Suqian	227,000	–	227,000
Properties in Nanjing	–	669,000	669,000
	2,526,142	1,380,000	3,906,142

There were no transfers into or out of Level 3 during the years reported. The following table gives information about how the fair values of the investment properties, other than Cambodia IP, are determined (in particular, the valuation techniques and inputs used).

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
Properties in Changzhou – Completed IP	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the market risk for the term value, at 3.5% (2017: 3.5%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the conditions of the properties, at 4% (2017: 4%).	The higher the reversionary yield, the lower the fair value.
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB8.64/sq.m./month to RMB20.16/sq.m./month (2017: RMB8.64/sq.m./month to RMB59.43/sq.m./month).	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB42.9/sq.m./month (2017: RMB42/sq.m./month).	The higher the reversionary rental, the higher the fair value.

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
Properties in Yangzhou – IP under construction and completed IP	Level 3	Residual approach for IP under construction The key inputs are: (1) Gross development value (2) Developer's profit	Gross development value on completion basis, taking into account of location and individual factors such as frontage and size, between the comparables and the property, of RMB8,054 (2017: RMB8,237) per sq.m at 31 December 2018.	The higher the gross development value, the higher the fair value.
		(3) Further cost for completion	Developer's profit, taking into account of the comparables land transactions and progress of the property, at 20% and 3% respectively (2017: 20%).	The higher the developer's profit, the lower the fair value.
			Further costs for completion as at 31 December 2018 are estimated to be approximately HK$90.8 million (2017: HK$224.5 million)	The higher the further costs for completion, the lower the fair value.
	Level 3	Income capitalisation approach for completed IP The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the market risk for the term value, at 3% (2017: 3%).	The higher the term yield, the lower the fair value.

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the conditions of the properties, from 3.5% to 6% (2017: 3.5%).	The higher the reversionary yield, the lower the fair value.
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB11.90/sq.m./month to RMB36.12sq.m./month (2017: RMB15.85/sq.m./month to RMB33.75/sq.m./month).	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB31.5/sq.m./month to RMB46.2/sq.m./month (2017: RMB43.5/sq.m./month to RMB44.4/sq.m./month).	The higher the reversionary rental, the higher the fair value.
Properties in Shanghai – Completed IP	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the market risk for the term value, from 4% to 6% (2017: from 4% to 6%).	The higher the term yield, the lower the fair value.

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the conditions of the properties, from 4.5% to 6.5% (2017: from 4.5% to 6.5%).	The higher the reversionary yield, the lower the fair value.
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB30.81/sq.m./month to RMB148.72/sq.m./month (2017: RMB92.17/sq.m./month to RMB94.88/sq.m./month).	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB54.9/sq.m./month to RMB201/sq.m./month (2017: RMB53.1/sq.m./month to RMB195.3/sq.m./month).	The higher the reversionary rental, the higher the fair value.
Properties in Taixing – IP under construction and completed IP	Level 3	Residual approach for IP under construction as at 31 December 2018 The key inputs are: (1) Gross development value	Gross development value on completion basis, taking into account of location and individual factors such as frontage and size, between the comparables and the property, of RMB4,432 per sq.m at 31 December 2018.	The higher the gross development value, the higher the fair value.
		(2) Developer's profit (3) Further cost for completion	Developer's profit, taking into account of the comparables land transactions and progress of the property, at 8% at 31 December 2018.	The higher the developer's profit, the lower the fair value.

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Further costs for completion as at 31 December 2018 are estimated to be approximately HK$84 million.	The higher the further costs for completion, the lower the fair value.
	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the market risk for the term value, range from 3% to 5% (2017: 3% to 3.5%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the conditions of the properties, range from 3.5% to 4% (2017: 3.5% to 3.75%).	The higher the reversionary yield, the lower the fair value.

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB6.26/sq.m./month to RMB104.62/sq.m./month (2017: RMB5.84sq.m./month to RMB52.24/sq.m./month).	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB43.2/sq.m./month to RMB159.6/sq.m./month (2017: RMB41.7/sq.m./month to RMB147.0/sq.m./month).	The higher the reversionary rental, the higher the fair value.
Properties in Taizhou – Completed IP	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the market risk for the term value, range from 3% to 3.5% (2017: 3% to 3.5%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the conditions of the properties, range from 3.5% to 4% (2017: 3.5% to 4%).	The higher the reversionary yield, the lower the fair value.

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB12.85/sq.m./month to RMB22.18sq.m./month (2017: RMB11.92/sq.m./month to RMB22.07sq.m./month).	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB50.4/sq.m./month to RMB105/sq.m./month (2017: RMB48.6/sq.m./month to RMB102/sq.m./month).	The higher the reversionary rental, the higher the fair value.
Properties in Suqian – Completed IP	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the market risk for the term value, at 3.5% (2017: 3.5%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the conditions of the properties, at 4% (2017: 4%).	The higher the reversionary yield, the lower the fair value.

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB8/sq.m./month to RMB18/sq.m./month (2017: RMB8/sq.m./month to RMB18/sq.m./month).	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB48.3/sq.m./month (2017: RMB47.4/sq.m./month).	The higher the reversionary rental, the higher the fair value.
Property in Nanjing – IP under construction and completed IP	Level 3	Residual approach for IP under construction as at 31 December 2017 The key inputs are: (1) Gross development value (2) Developer's profit	Gross development value on completion basis, taking into account of location and individual factors such as frontage and size, between the comparable and the property, of RMB20,034 per sq.m at 31 December 2017.	The higher the gross development value, the higher the fair value.
			Developer's profit, taking into account of the comparable land transactions and progress of the property, at 10% at 31 December 2017.	The higher the developer's profit, the lower the fair value.
		(3) Further cost for completion	Further costs for completion as at 31 December 2017 are estimated to be approximately RMB120,163,000.	

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
	Level 3	Income capitalisation approach for completed IP as at 31 December 2018 The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy rate adjustment to reflect the market risk for the term value, at 5.5%.	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and vacancy adjustment to reflect the conditions of the properties, at 6%.	The higher the reversionary yield, the lower the fair value.
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB14.16/sq. m./month.	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB297/sq.m./month.	The higher the reversionary rental, the higher the fair value.

The Group has pledged completed IP amounting to RMB1,048,391,000 (2017: RMB998,000,000) to secure certain banking and other facilities granted to the Group (Note 35).

16. PROPERTY AND EQUIPMENT

	Leasehold land and building RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture, fittings and equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2017 (restated)	81,708	839	1,852	785	4,129	18,171	107,484
Additions	–	702	11	716	876	3,764	6,069
Acquisition of subsidiaries	–	–	133	705	316	421	1,575
Disposals	–	–	(6)	(67)	(365)	(1,646)	(2,084)
At 31 December 2017 (restated)	81,708	1,541	1,990	2,139	4,956	20,710	113,044
Additions	–	406	186	507	1,433	7,844	10,376
Acquisition of subsidiaries	22,455	1,406	646	129	210	963	25,809
Disposals	–	(190)	(936)	–	(15)	(1,027)	(2,168)
At 31 December 2018	104,163	3,163	1,886	2,775	6,584	28,490	147,061
ACCUMULATED DEPRECIATION							
At 1 January 2017 (restated)	(4,493)	(461)	(1,418)	(447)	(3,481)	(11,425)	(21,725)
Charge for the year	(1,634)	(238)	(261)	(711)	(656)	(2,753)	(6,253)
Eliminated on disposals	–	–	4	64	323	1,555	1,946
At 31 December 2017 (restated)	(6,127)	(699)	(1,675)	(1,094)	(3,814)	(12,623)	(26,032)
Charge for the year	(2,989)	(526)	(220)	(485)	(663)	(4,671)	(9,554)
Eliminated on disposals	–	181	891	–	15	977	2,064
At 31 December 2018	(9,116)	(1,044)	(1,004)	(1,579)	(4,462)	(16,317)	(33,522)
CARRYING VALUES							
At 31 December 2018	95,047	2,119	882	1,196	2,122	12,173	113,539
At 31 December 2017 (restated)	75,581	842	315	1,045	1,142	8,087	87,012
At 1 January 2017 (restated)	77,215	378	434	338	648	6,746	85,759

16. PROPERTY AND EQUIPMENT (CONTINUED)

The above items of property and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Leasehold land and building	Over the shorter of the term of lease or 2%
Leasehold improvements	20%
Office equipment	20%
Furniture, fittings and equipment	10% – 20%
Computer equipment	20% – 33%
Motor vehicles	25%

The leasehold land and building is located in Hong Kong and the PRC.

The land and building elements of a lease of land and building cannot be allocated reliably between the land and building elements, and the lease is treated as property and equipment.

The Group has pledged leasehold land and building with a net book value of RMB73,946,000 (2017: RMB75,581,000) to secure certain banking and other facilities granted to the Group (Note 35).

17. INTEREST IN AN ASSOCIATE

	2018 RMB'000	2017 RMB'000
Cost of unlisted investment	**30,000**	15,000
Share of post-acquisition profits and other comprehensive income, net of dividend received	**1,691**	598
	31,691	15,598

Details of the Group's associate at 31 December 2018 and 2017 are as follows:

Name of entity	Place of incorporation/ registration	Proportion of ownership interest held by the Group	Proportion of voting right held by the Group	Principal activity
深圳市盛元智本商業保理有限公司 (“盛元智本”)	PRC	30%	20%	Factoring

17. INTEREST IN AN ASSOCIATE (CONTINUED)

Summarised financial information in respect of 盛元智本 is set out below. The financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2018 RMB'000	2017 RMB'000
Current assets	**128,807**	55,734
Current liabilities	**(23,170)**	(3,740)
	105,637	51,994
Revenue	**6,505**	3,001
Other income	**33**	7
Expenses	**(2,896)**	(1,014)
Profit and total comprehensive income for the year	**3,642**	1,994

Reconciliation of the above summarised financial information to the carrying amount of interest in the associate recognised in the consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Net assets of the associate	**105,637**	51,994
Proportion of the Group's ownership interest in the associate	**30%**	30%
Net assets shared by the Group and the carrying amount of the Group's interest in the associate	**31,691**	15,598

18. AVAILABLE-FOR-SALE INVESTMENT

	2017 RMB'000
Debt instrument in the PRC, at fair value	59,678

The above debt instrument represented investments in an unlisted fund issued by private entity incorporated in the PRC.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000
Debt instrument in the PRC, at fair value	**65,913**
Debt instruments in overseas, at fair value	**419,887**
Deposits paid for life insurance policies, at fair value	**14,958**
Listed equity investment in Hong Kong, at fair value *(Note)*	**287,612**
	788,370
Less: Financial assets at fair value through profit or loss classified as current assets	**(707,499)**
Non-current portion	**80,871**

Note: Amount represents financial assets held for the purposes of trading.

20. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

The Group entered into framework agreements ("Framework Agreements") with independent third parties in relation to the acquisition of controlling interest in certain entities which are principally engaged in property development in the PRC and Saiban (2017: the PRC). As at 31 December 2018, the Group had made deposits of RMB1,935,423,000 (2017: RMB1,524,053,000) in relation to these acquisitions. According to the Framework Agreements, in case of the acquisitions cannot be completed, the deposits paid will be fully refunded to the Group. The deposits are non-interest bearing except for an amount of RMB400,000,000 bearing interest of 8.5% per annum.

21. DEFERRED TAX

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years:

	Accrued LAT RMB'000	Fair value of investment properties RMB'000	Revaluation of properties under development/ held for sales RMB'000	Deferred income RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2017 (restated)	96,023	(340,642)	(42,371)	110,249	28,422	(148,319)
Credit (charge) to profit or loss	74,279	(53,842)	–	65,633	(7,464)	78,606
At 31 December 2017 (restated)	170,302	(394,484)	(42,371)	175,882	20,958	(69,713)
Credit (charge) to profit or loss	73,201	(218,978)	–	2,564	3,430	(139,783)
At 31 December 2018	243,503	(613,462)	(42,371)	178,446	24,388	(209,496)

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Analysed for reporting purpose as:			
Deferred tax assets	**446,337**	360,729	228,378
Deferred tax liabilities	**(655,833)**	(430,442)	(376,697)
	(209,496)	(69,713)	(148,319)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB5,491,768,000 (31 December 2017: RMB1,682,183,000 and 1 January 2017: RMB914,590,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

21. DEFERRED TAX (CONTINUED)

At 31 December 2018, the Group had unused tax losses of RMB279,554,000 (31 December 2017: RMB338,850,000 and 1 January 2017: RMB222,285,000), available to offset against future profits. Deferred tax assets have been recognised in respect of tax losses of RMB97,552,000 (31 December 2017: RMB83,832,000 and 1 January 2017: RMB113,689,000). No deferred tax asset has been recognised for the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
2017	**–**	–	19,268
2018	**–**	3,178	12,336
2019	**27,069**	29,502	29,663
2020	**11,461**	19,911	19,911
2021	**5,306**	13,070	27,418
2022	**76,522**	189,357	–
2023	**61,644**	–	–
	182,002	255,018	108,596

22. INVENTORIES OF PROPERTIES

The Group's inventories of properties are situated in the PRC and Hong Kong (2017: the PRC). All of the inventories of properties are stated at the lower of cost and net realisable value. As at 31 December 2018, properties under development of RMB11,704,356,000 (31 December 2017: RMB11,537,331,000 and 1 January 2017: RMB5,715,960,000) is expected to be realised after twelve months from the end of the reporting date.

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Properties held for sale	**4,667,635**	1,918,606	1,389,731
Properties under development	**21,451,442**	17,817,960	10,479,202
	26,119,077	19,736,566	11,868,933

The Group has pledged properties held for sales and properties under development amounting to RMB237,105,000 and RMB12,973,917,000 respectively (2017: RMB214,935,000 and RMB14,669,409,000) to secure certain banking and other facilities granted to the Group (Note 35).

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Rental receivables *(Note i)*	**52,268**	39,903	38,212
Prepaid construction costs	**802,333**	508,519	670,630
Prepaid business and other taxes	**404,550**	216,816	234,447
Advances to potential investees for acquisition of land use rights *(Note ii)*	**1,344,973**	–	–
Deposits paid for potential purchases of land use rights	**456,199**	26,040	1,466
Projects related deposits *(Note iii)*	**790,169**	289,944	99,156
Deposits for trust financing arrangements *(Note iv)*	**308,988**	63,925	4,800
Other deposits *(Note v)*	**273,647**	257,369	20,402
Advance to staff	**49,146**	5,428	23,139
Loans receivable *(Note vi)*	**662,607**	733,721	–
Interest receivable	**153,969**	29,375	–
Other receivables	**304,084**	134,357	315,109
	5,602,933	2,305,397	1,407,361

Notes:

(i) The amount represents rental receivables for leasing of office premises, hotel, shopping arcade and carparks.

(ii) The amounts are paid to certain entities while the Group will potentially invest in them ("potential investees"). Such payments are prepayments for property development projects of those potential investees.

(iii) The amount mainly represents the deposits placed in request of local government. The deposits will be refunded to the Group upon the completion of projects.

(iv) The amounts are deposited in trust financing companies for raising trust loans to the Group. The deposits will be refunded to the Group upon final repayments of the trust loans or repayable on demand.

(v) Other deposits as at the reporting dates mainly represent temporary payments for potential property development projects to local government. There is no fixed repayment term for these other deposits and the directors of the Company consider they are repayable upon the payment for construction costs.

(vi) Loans receivable represent loans to independent third parties which are unsecured, interest bearing at ranging from 12% to 23% per annum (2017: 12% to 23% per annum) and repayable within one year.

The Group allows an average credit period of 30 days to its trade customers. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the year.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 as set out in Note 31. As at 31 December 2018, allowance for credit losses/doubtful debts on trade and other receivables of RMB79,193,000 (2017: nil) are recognised.

24. RESTRICTED/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits are denominated in RMB and comprise (i) deposits pledged to banks as at 31 December 2018, to secure the mortgage guarantees provided to customers, amounting to RMB65,071,000 (31 December 2017: RMB27,407,000 and 1 January 2017: RMB25,805,000) which will be released upon obtaining building ownership certificates by buyers; and (ii) deposits pledged to banks as at 31 December 2018, to secure bank borrowings raised by the Group, amounting to RMB1,292,108,000 (31 December 2017: RMB837,178,000 and 1 January 2017: RMB149,692,000). The deposits carry fixed rates of interest ranging from 1.35% to 3.10% per annum at 31 December 2018 (31 December 2017: 1.35% to 2.20% per annum and 1 January 2017: 0.36% to 1.95% per annum).

Restricted bank deposits represent deposits which placed in restricted bank accounts in accordance with the applicable government regulations, amounting to RMB69,893,000 as at 31 December 2018 (31 December 2017: RMB138,509,000 and 1 January 2017: RMB305,350,000). These bank balances can only be applied in designated property development projects, and they carry prevailing interest at 0.38% per annum at 31 December 2018 (2017: 0.38% per annum).

Bank balances and cash comprise cash held by the Group and demand deposits with an original maturity of three months or less. Bank balances carry prevailing market interest rates ranging from 0.01% to 2.20% per annum at 31 December 2018 (2017: ranging from 0.01% to 2.20% per annum and 1 January 2017: 0.01% to 2.30% per annum).

For the year ended 31 December 2018, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of restricted/pledged bank deposits for the year ended 31 December 2018 are set out in Note 31.

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Analysis of restricted/pledged bank deposits/bank balances and cash by currency:			
– Denominated in RMB	**3,176,434**	3,956,078	1,354,383
– Denominated in Hong Kong dollars ("HK$")	**458,622**	1,439,009	156,750
– Denominated in United States dollars ("US$")	**1,698,520**	1,410,264	42,824
– Denominated in Canadian dollars	**–**	10	–
– Denominated in Australian dollars ("AUD")	**–**	14	–
	5,333,576	6,805,375	1,553,957

25. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES/DEFERRED INCOME

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Trade payables	1,493,663	706,200	510,469
Business and other taxes payable	428,751	330,748	30,455
Accrued charges *(Note i)*	233,981	177,558	123,947
Deferred income *(Note ii)*	713,783	703,456	442,629
Payables for acquisition of land	–	–	39,143
Deposits related to sales of properties	181,466	122,636	434,460
Consideration payable for acquisition of subsidiaries *(Note 32)*	95,000	322,700	98,052
Deposits and other payables *(Note iii)*	372,431	429,846	414,623
Other unsecured interest-free advances	–	–	86,470
	3,519,075	2,793,144	2,180,248
Less: Non-current portion of deferred income	(647,722)	(693,230)	(436,341)
Current portion	2,871,353	2,099,914	1,743,907

Notes:

(i) Accrued charges mainly include construction cost accrued based on construction progress.

(ii) Deferred income represents income arising from transfer of land use right of underground carparks which no building ownership certificate has been obtained by the Group. The income arising from sales of underground carparks is released to profit or loss as rental income and amortised on a straight line basis over the period of the land use right.

(iii) Deposits and other payables mainly represent various deposits received from contractors in relation to tendering and execution of construction contracts.

Trade payables comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The average credit period of trade payable is 30 days.

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
0–30 days	633,384	354,747	227,997
31–90 days	276,271	106,395	61,062
91–180 days	219,011	42,333	27,313
181–360 days	85,467	44,085	44,549
Over 360 days	279,530	158,640	149,548
	1,493,663	706,200	510,469

26. PRE-SALE DEPOSITS RECEIVED

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Sales of properties	**10,153,352**	7,979,129	5,771,515

The following table shows the amount of the revenue recognised in the current year which relates to carried-forward contract liabilities.

	Sales of properties RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	7,979,129

The Group receives 30%-100% of the contract value as deposits from customers when they sign the sale and purchase agreement. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property. The significant increase in contract liabilities in the current year was mainly due to pre-sale deposits received for sales of properties in Yangzhou.

As at 31 December 2018, pre-sale deposits received of RMB9,974,554,000 (31 December 2017: RMB6,857,093,000 and 1 January 2017: RMB5,513,821,000) is expected to be realised to profit or loss within twelve months.

27. BANK AND OTHER BORROWINGS

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Bank loans, secured	**6,646,875**	4,618,426	2,647,690
Trust loans, secured *(Note (d))*	**3,700,400**	4,944,920	1,737,900
Other loans, secured *(Note (e))*	**2,227,846**	2,027,305	2,400,000
Other loans, unsecured	**–**	139,258	85,846
	12,575,121	11,729,909	6,871,436

Bank and other borrowings amounting to RMB12,575,121,000 as at 31 December 2018 (31 December 2017: RMB11,590,651,000 and 1 January 2017: RMB6,785,590,000) are secured by the pledge of assets as set out in Note 35, out of which RMB118,347,000 (31 December 2017: RMB788,019,000 and 1 January 2017: RMB654,271,000) are also guaranteed by a director of the Company and related parties as set out in Note 39(d).

27. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) The borrowings are repayable:

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Within one year or on demand	**4,801,296**	3,372,604	4,557,016
More than one year, but not exceeding two years	**4,776,535**	4,550,920	2,314,420
More than two years, but not exceeding five years	**2,997,290**	3,806,385	–
	12,575,121	11,729,909	6,871,436
Less: Amount due within one year or on demand shown under current liabilities	**(4,801,296)**	(3,372,604)	(4,557,016)
Amount shown under non-current liabilities	**7,773,825**	8,357,305	2,314,420

At 31 December 2018, the Group has unutilised banking facilities of RMB2,779,560,000 (2017: RMB1,619,947,000).

Except for bank and other borrowings of RMB3,951,582,000 which are denominated in HK$ as at 31 December 2018 (31 December 2017: RMB2,261,099,000 and 1 January 2017: RMB74,270,000), all the bank and other borrowings are denominated in RMB.

(b) Fixed-rate borrowings amounting to RMB10,907,120,000 carry interest ranging from 1.90% to 15.00% per annum at 31 December 2018 (31 December 2017: RMB11,641,890,000 carry interest ranging from 1.35% to 13.50% per annum and 1 January 2017: RMB5,830,166,000 carry interest ranging from 1.72% to 20%), and expose the Group to fair value interest rate risk. The remaining borrowings amounting to RMB1,668,001,000 (31 December 2017: RMB88,019,000 and 1 January 2017: RMB1,041,270,000) are arranged at variable rates with the effective interest rates ranging from 2.3% to 5% per annum at 31 December 2018 (31 December 2017: ranging from 1.77% to 4.14% per annum and 1 January 2017: ranging from 1.72% to 6.12%), and expose the Group to cash flow interest rate risk.

(c) The range of effective interest rates at the end of each reporting period is as follows:

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Bank loans	**1.9% to 10.5%**	1.35% to 9%	1.72% to 15.96%
Trust loans	**9% to 15%**	8.5% to 13.5%	9.8% to 14.5%
Other loans	**9% to 13.5%**	9% to 9.5%	9.5% to 20%

27. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(d) The borrowings are in the form of trust arrangement with trust financing companies. The conventional loan arrangements are loan agreements entered into between the Group and trust financing companies.

Trust loans amounting to RMB3,154,800,000 (31 December 2017: RMB1,905,420,000 and 1 January 2017: RMB579,900,000) is repayable within one year. RMB545,600,000 (31 December 2017: RMB2,753,500,000 and 1 January 2017: RMB1,158,000,000) is repayable more than one year, but not exceeding two years. As at 31 December 2017, the remaining trust loans amounting to RMB286,000,000 were repayable in 2020.

(e) Other loans mainly represent secured loans from asset management companies. Other loans amounting to RMB518,046,000 (31 December 2017: nil and 1 January 2017: RMB2,400,000) is repayable within one year. The remaining other loans amounting to RMB1,347,305,000 and RMB362,495,000 are repayable in 2020 and 2021 respectively (31 December 2017: RMB680,000,000 and RMB1,347,305,000 are repayable in 2019 and 2020 respectively and 1 January 2017: nil).

28. SENIOR NOTES

	2018 RMB'000	2017 RMB'000
2016 senior notes due September 2018 *(Note a)*	**–**	665,387
2017 senior notes due October 2018 *(Note b)*	**–**	1,036,291
2017 senior notes due November 2018 *(Note c)*	**–**	1,980,058
2017 senior notes due April 2019 *(Note d)*	**343,473**	326,201
2017 senior notes due May 2019 *(Note e)*	**340,117**	323,015
2018 senior notes due January 2019 *(Note f)*	**1,897,271**	–
2018 senior notes due January 2019 *(Note g)*	**760,433**	–
2018 senior notes due October 2019 *(Note h)*	**1,136,152**	–
2018 senior notes due October 2020 *(Note i)*	**1,525,186**	–
2018 senior notes due October 2020 *(Note j)*	**486,906**	–
2018 senior notes due October 2020 *(Note k)*	**551,388**	–
2018 senior notes due October 2020 *(Note l)*	**171,583**	–
	7,212,509	4,330,952
Less: Amount due within one year shown under current liabilities	**(4,477,446)**	(3,681,736)
Amount due after one year	**2,735,063**	649,216

28. SENIOR NOTES (CONTINUED)

The movement of senior notes for the year is set out below:

	2018 RMB'000	2017 RMB'000
At the beginning of the year	**4,330,952**	695,650
Proceeds on issuance of senior notes	**6,136,221**	3,684,747
Redemption	**(3,918,140)**	–
Exchange loss (gain)	**244,313**	(98,467)
Interest expenses *(Note 9)*	**777,336**	158,249
Interest paid during the year	**(358,173)**	(109,227)
At the end of the year	**7,212,509**	4,330,952

Notes:

(a) In September 2016, the Company issued senior secured notes with a principal amount of US$100,000,000 (equivalent to RMB667,760,000) due in September 2018 (the "September 2018 Senior Notes") which are listed on the Stock Exchange. The September 2018 Senior Notes, bearing interest at a fixed rate of 9.75% per annum with interest payable semi-annually in arrears, matured in September 2018, and have been repaid during the year ended 31 December 2018.

(b) In October 2017, the Company issued senior secured notes with a principal amount of US$160,000,000 (equivalent to approximately RMB1,017,900,000) due in October 2018 (the "October 2018 Senior Notes"). The October 2018 Senior Notes, bearing interest at a fixed rate of 8% per annum with interest payable semi-annually in arrears, matured in October 2018, and have been repaid during the year ended 31 December 2018.

(c) In November 2017, the Company issued senior secured notes with a principal amount of US$300,000,000 (equivalent to approximately RMB2,008,664,000) due in November 2018 (the "November 2018 Senior Notes") which are listed on the Stock Exchange. The November 2018 Senior Notes, bearing interest at a fixed rate of 8.25% per annum with interest payable semi-annually in arrears, matured in November 2018, and have been repaid during the year ended 31 December 2018.

(d) In April 2017, the Company issued senior secured notes with a principal amount of US$50,000,000 (equivalent to approximately RMB330,899,000) due in April 2019 (the "April 2019 Senior Notes"). The April 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, will mature in April 2019.

On or after 7 April 2018, the Company may, at its option, redeem the April 2019 Senior Notes, in whole or in part, at a redemption price equal to 105% of the principal amount of the April 2019 Senior Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date. In the opinion of directors, the fair values of the early redemption options are insignificant at initial recognition and the end of the reporting period.

(e) In May 2017, the Company issued senior secured notes with a principal amount of US$50,000,000 (equivalent to approximately RMB327,284,000) due in May 2019 (the "May 2019 Senior Notes"). The May 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, will mature in May 2019.

On or after 19 May 2018, the Company may, at its option, redeem the May 2019 Senior Notes, in whole or in part, at a redemption price equal to 105% of the principal amount of the May 2019 Senior Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date. In the opinion of directors, the fair values of the early redemption options are insignificant at initial recognition and the end of the reporting period.

28. SENIOR NOTES (CONTINUED)

Notes: (Continued)

(f) In January 2018, the Company issued senior secured notes with a principal amount of US$250,000,000 (equivalent to RMB1,584,100,000) due in January 2019 (the "January 2019 Senior Notes I") which are listed on the Stock Exchange. The January 2019 Senior Notes I, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, will mature in January 2019.

The Company must make an offer to repurchase the January 2019 Senior Notes I outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of change of control triggering event or a delisting event as defined in the offering circular. In the opinion of directors, the fair values of the early redemption options are insignificant at initial recognition and the end of the reporting period.

In January 2019, the Company repaid in full all the outstanding principal and interest.

(g) In April 2018, the Company issued senior secured notes with a principal amount of US$100,000,000 (equivalent to RMB631,870,000) due in January 2019 (to be consolidated with and form a single series with the US$250,000,000 8.125% January Senior Notes I issued in January 2018) (the "January 2019 Senior Notes II") which are listed on the Stock Exchange. The January 2019 Senior Notes II, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, will mature in January 2019.

The Company must make an offer to repurchase the January 2019 Senior Notes II outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of change of control triggering event or a delisting event as defined in the offering circular. In the opinion of directors, the fair values of the early redemption options are insignificant at initial recognition and the end of the reporting period.

In January 2019, the Company repaid in full all the outstanding principal and interest.

(h) In October 2018, the Company issued senior secured notes with a principal amount of US$160,000,000 (equivalent to RMB1,115,536,000) due in October 2019 (the "October 2019 Senior Notes") (in exchange for the October 2018 Senior Notes due in 2018) which are listed on the Frankfurt Stock Exchange. The October 2019 Senior Notes, bearing interest at a fixed rate of 10% per annum with interest payable semi-annually in arrears, will mature in October 2019.

(i) On 22 October 2018, the Company issued senior secured notes with a principal amount of US$225,000,000 (equivalent to RMB1,568,722,000) due in October 2020 (the "October 2020 Senior Notes I") which are listed on the Stock Exchange. The October 2020 Senior Notes I, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

The Company must make an offer to repurchase the October 2020 Senior Notes I outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of change of control triggering event or a delisting event as defined in the offering circular. In the opinion of directors, the fair values of the early redemption options are insignificant at initial recognition and the end of the reporting period.

The holders of the October 2020 Senior Notes I will have the right, at their option, to require the company to repurchase for all or any portion of their October 2020 Senior Notes I on 22 October 2019 at a purchase price equal to 102.125% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

28. SENIOR NOTES (CONTINUED)

Notes: (Continued)

(j) On 9 November 2018, the Company issued senior secured notes with a principal amount of US$70,000,000 (equivalent to RMB485,366,000) due in October 2020 (to be consolidated with and form a single series with the US$225,000,000 12% October 2020 Senior Notes I issued in October 2018) (the "October 2020 Senior Notes II") which are listed on the Stock Exchange. The October 2020 Senior Notes II, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

The Company must make an offer to repurchase the October 2020 Senior Notes II outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of change of control triggering event or a delisting event as defined in the offering circular. In the opinion of directors, the fair values of the early redemption options are insignificant at initial recognition and the end of the reporting period.

The holders of the October 2020 Senior Notes II will have the right, at their option, to require the company to repurchase for all or any portion of their October 2020 Senior Notes II on 22 October 2019 at a purchase price equal to 102.125% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

(k) On 6 December 2018, the Company issued senior secured notes with a principal amount of US$80,000,000 (equivalent to RMB550,304,000) due in October 2020 (to be consolidated with and form a single series with the US$225,000,000 12% October 2020 Senior Notes I issued in October 2018 and the US$70,000,000 12% October 2020 Senior Notes II issued in November 2018) (the "October 2020 Senior Notes III") which are listed on the Stock Exchange. The October 2020 Senior Notes III, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

The Company must make an offer to repurchase the October 2020 Senior Notes III outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of change of control triggering event or a delisting event as defined in the offering circular. In the opinion of directors, the fair value of the early redemption options are insignificant at initial recognition and the end of the reporting period.

The holders of the October 2020 Senior Notes III will have the right, at their option, to require the company to repurchase for all or any portion of their October 2020 Senior Notes III on 22 October 2019 at a purchase price equal to 102.125% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

(l) On 20 December 2018, the Company issued senior secured notes with a principal amount of US$25,000,000 (equivalent to RMB171,970,000) due in October 2020 (to be consolidated with and form a single series with the US$225,000,000 12% October 2020 Senior Notes I issued in October 2018, the US$70,000,000 12% October 2020 Senior Notes II issued in November 2018 and the US$80,000,000 12% October 2020 Senior Notes III issued on 6 December 2018) (the "October 2020 Senior Notes IV") which are listed on the Stock Exchange. The October 2020 Senior Notes IV, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

The Company must make an offer to repurchase the October 2020 Senior Notes IV outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of change of control triggering event or a delisting event as defined in the offering circular. In the opinion of directors, the fair values of the early redemption options are insignificant at initial recognition and the end of the reporting period.

The holders of the October 2020 Senior Notes IV will have the right, at their option, to require the company to repurchase for all or any portion of their October 2020 Senior Notes IV on 22 October 2019 at a purchase price equal to 102.125% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

29. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January 2017 and 31 December 2017 and 31 December 2018	10,000,000,000	100,000
Issued and fully paid		
At 1 January 2017	1,867,500,000	18,675
Placing and subscription of shares in June 2017 *(Note a)*	352,500,000	3,525
Placing and subscription of shares in December 2017 *(Note b)*	232,000,000	2,320
At 31 December 2017 and 1 January 2018	2,452,000,000	24,520
Issue of shares upon scrip dividend scheme in July 2018 *(Note c)*	26,340,542	263
Issue of shares upon scrip scheme in October 2018 *(Note d)*	13,064,860	131
Issue of shares of acquisition of entities under common control *(Note e)*	19,566,400	196
At 31 December 2018	2,510,971,802	25,110

Shown in the consolidated financial statements as:

	RMB'000
At 31 December 2018	21,083
At 31 December 2017	20,564

Notes:

(a) On 19 June 2017, the Company issued 352,500,000 shares of HK$0.01 each amounting to HK$3,525,000 (equivalent to RMB3,067,000) to independent third parties by the placing and subscription, for consideration of HK$3.35 (equivalent to RMB2.88) per share. The shares issued and fully paid increased from HK$18,675,000 to HK$22,200,000.

(b) On 28 December 2017, the Company issued 232,000,000 shares at HK$0.01 each amounting HK$2,320,000 (equivalent to RMB1,939,000) to independent third parties by the placing and subscription, for consideration of HK$6.11 (equivalent to RMB5.09) per share. The shares issued and fully paid increased from HK$22,200,000 to HK$24,520,000.

29. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(c) On 27 March 2018, a scrip dividend scheme was proposed by the board, which offers the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the annual general meeting of the Company held on 13 June 2018. On 30 July 2018, 26,340,542 shares of HK$0.01 each were allotted and issued at HK$14.13 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2017 final dividend under the scrip dividend scheme. The shares was amounted to HK$372,192,000 (equivalent to RMB323,584,000).

(d) On 27 August 2018, a scrip dividend scheme was declared by the board, which offers the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. On 31 October 2018, 13,064,860 shares of HK$0.01 each were allotted and issued at HK$14.82 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2018 interim dividend under the scrip dividend scheme. The shares was amounted to HK$193,621,000 (equivalent to RMB172,071,000).

(e) Pursuant to the sale and purchase agreement dated 5 June 2018 entered into between the Company and Mr. Shum Tin Ching, the Group acquired 90% equity interest of Huyuan for an agreed consideration of HK$693,629,000 (equivalent to RMB615,790,000). The consideration was satisfied by the allotment and issue of 19,566,400 shares of HK$0.01 each of the Company at HK$14.18 per share amounting to HK$277,452,000 (equivalent to RMB245,934,000) and cash of HK$416,177,000 (equivalent to RMB369,856,000). The shares were issued on 22 November 2018 and the aggregate fair value of the shares issued, based on the quoted price of the shares on that date, was amounted to HK$277,452,000 (equivalent to RMB245,934,000).

30. CAPITAL RISK MANAGEMENT

The directors of the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debts, which include amounts due to related parties, bank and other borrowings and senior notes, as disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Financial assets			
Held-to-maturity investment	–	–	129,796
Loans and receivables (including cash and cash equivalents)	–	9,707,803	2,675,786
Financial assets at fair value through profit or loss	788,370	–	–
Available-for-sale investment	–	59,678	53,820
Financial assets at amortised cost	9,275,305	–	–
Financial liabilities			
Amortised cost	22,929,868	18,114,047	9,143,881

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, financial assets at FVTPL, deposit paid for a life insurance policy, trade and other receivables, amounts due from related parties, restricted/pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, bank and other borrowings and senior notes. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures during the year reported.

(i) Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, available-for-sale investment, financial assets at FVTPL, loans receivable, bank and other borrowings and senior notes.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on restricted bank deposits, bank balances, variable-rate bank and other borrowings which carry interest at prevailing market interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-bank Offered Rate and the lending rate quoted by the People's Bank of China arising from the Group's bank and other borrowings.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank and other borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the respective reporting period. A 100 basis points (2017: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rate had been of 100 basis (2017: 100 basis points) points higher/lower and all other variables held constant, the Group's profit for the year would decrease/increase by approximately RMB12,510,000 for the year ended 31 December 2018 (2017: RMB660,000).

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's bank balances and deposits as the directors of the Company consider that the exposure is minimal.

Currency risk

The Group collects all of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are also denominated in RMB.

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

As at 31 December 2018 and 2017, the Group has available-for-sale investment, financial assets at FVTPL, deposit paid for a life insurance policy, trade and other receivables, bank balances and cash, bank and other borrowings and senior notes denominated in foreign currencies as set out in Notes 18, 19, 23, 24, 27 and 28, respectively, which expose the Group to foreign currency risk and mainly concentrated on the exposure to AUD, US$ and HK$.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
US$	**1,784,945**	1,392,518	**7,212,509**	4,330,952
HK$	**795,539**	1,498,701	**2,401,927**	2,261,099
AUD	**957,349**	483,735	**–**	–

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

As at 31 December 2017, no sensitivity analysis had been presented on the exposure to foreign currency risk on the Group's foreign currency denominated deposit paid for a life insurance policy as the directors of the Company considered that the exposure was minimal.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the Group's financial assets at FVTPL, available-for-sale investment, deposit paid for a life insurance policy, trade and other receivables, restricted/pledged bank deposits, bank balances and cash, bank and other borrowings and senior notes denominated in the foreign currency at the end of each reporting period. A positive/negative number below indicates an increase/decrease in profit where RMB strengthen 5% (2017: 5%) against the relevant currency. For a 5% (2017: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year.

	US$ Impact		HK$ Impact		AUD Impact	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000 (Restated)
Increase (decrease) in profit for the year	**271,378**	146,922	**80,319**	38,120	**(47,867)**	(24,187)

(ii) Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in Note 38.

Trade receivables

In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on financial assets at amortised cost collectively. In this regard, the directors of the Company consider that the Group's credit risk is effectively managed.

Other receivables, bank balances and restricted/pledged bank deposits

The credit risk of other receivables is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each receivable and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group reviews the recoverable amount of these receivables at the end of each reporting period.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Other receivables, bank balances and restricted/pledged bank deposits (Continued)

The credit risks on bank balances, restricted/pledged bank deposits are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 14% of the total trade and other receivables represents the project related deposits placed in independent third parties (2017: 32% represents loans receivable due from independent third parties). Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at the end of the year reported.

Financial guarantee contracts

For the financial guarantee contracts provided by the Group to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Group measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre-sale deposits already received and the forward looking information. The directors of the Company considered that the loss allowances on financial guarantee contracts at 1 January 2018 and 31 December 2018 were insignificant to the Group. For properties which have been pre-sold, or for the completed properties that sold but the building ownership certificate not yet issued, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other financial assets at amortised cost

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Moderate risk	Debtors frequently repay after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL –credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Other financial assets at amortised cost (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	*Notes*	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised cost				
Restricted/pledged bank deposits	*24*	Note A	12m ECL	1,427,072
Bank balances	*24*	Note A	12m ECL	3,906,504
Rental receivables	*23*	Note B	Lifetime ECL (provision matrix)	52,320
Other receivables	*23*	Note C	12m ECL	3,659,934
			Lifetime ECL	303,342
Financial guarantee contracts	*38*	Note D	12m ECL	6,358,573

Notes:

A. For restricted/pledged bank deposits and bank balances, the Group determines the expected credit losses by referring to external credit rating of the related banks.

B. For rental receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

C. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The balance of other receivables are not past due except for a loan receivable of RMB250,000,000 and the respective interest receivable of RMB53,342,000 with a total allowance of RMB24,267,000 made.

D. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Other financial assets at amortised cost (Continued)

The following tables show reconciliation of loss allowances that has been recognised for rental receivables, other receivables and deposits paid for acquisition of subsidiaries.

		Other receivables		
	Rental receivables lifetime ECL RMB'000	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018	–	–	–	–
Changes due to financial instruments recognised as at 1 January:				
– Transfer to lifetime ECL	–	(960)	960	–
– Impairment losses recognised	46	2,638	19,476	22,160
– Impairment losses reversed	–	(252)	–	(252)
New financial assets originated or purchased	6	50,001	3,831	53,838
As at 31 December 2018	52	51,427	24,267	75,746

No impairment allowance was made on restricted/pledged bank deposits, bank balances and financial guarantee contracts at the end of each reporting period as the directors of the Company consider the effect is minimal.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk

The directors of the Company closely monitor the cash flows of the Group and, upon maturity, would arrange the renewal and refinancing of the bank loans, where necessary, to enable the Group to carry on its operations in the foreseeable future. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans which are repayable on demand are included in the earliest time band. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Interest rate %	On demand or within 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2018						
Trade and other payables	–	1,961,094	–	–	1,961,094	1,961,094
Bank and other borrowings						
– Fixed rate	7.91	4,697,265	4,284,834	2,787,782	11,769,881	10,907,120
– Variable rate	3.67	1,729,137	–	–	1,729,137	1,668,001
Senior notes	9.94	4,922,459	3,006,899	–	7,929,358	7,212,509
Amounts due to non-controlling interests	–	799,388	–	–	799,388	799,388
Amounts due to related parties	–	381,756	–	–	381,756	381,756
		14,491,099	7,291,733	2,787,782	24,570,614	22,929,868
Financial guarantee						
– Mortgage guarantees	–	6,358,573	–	–	6,358,573	–
		20,849,672	7,291,733	2,787,782	30,929,187	22,929,868

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

	Interest rate %	On demand or within 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2017 (restated)						
Trade and other payables	–	1,458,746	–	–	1,458,746	1,458,746
Bank and other borrowings						
– Fixed rate	7.48	3,913,111	5,233,524	4,105,317	13,251,952	11,641,890
– Variable rate	2.56	88,019	–	–	88,019	88,019
Senior notes	8.46	3,999,265	671,216	–	4,670,481	4,330,952
Amounts due to non-controlling interests		182,565	–	–	182,565	182,565
Amounts due to related parties	–	411,875	–	–	411,875	411,875
		10,053,581	5,904,740	4,105,317	20,063,638	18,114,047
Financial guarantee						
– Mortgage guarantees	–	4,816,693	–	–	4,816,693	–
		14,870,274	5,904,740	4,105,317	24,880,331	18,114,047

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2018 RMB'000	2017 RMB'000		
Debt instrument in the PRC	65,913	59,678	Level 3	Market approach considers prices recently for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative.
Debt instrument in overseas	419,887	–	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.
Deposits paid for life insurance policies	14,958	N/A	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return of the underlying investments.
Listed equity investment in Hong Kong	287,612	–	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1, 2 and 3 in the current and prior years.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

(i) Reconciliation of Level 3 fair value measurements of financial assets

	RMB'000
Balance at 31 December 2017 under HKAS 39	59,678
Adjustment upon application of HKFRS 9	9,444
Balance at 1 January 2018*	69,122
Purchases	370,206
Fair value change recognised to profit and loss	70
Interest income	63,791
Insurance expenses	(295)
Exchange loss	(2,136)
Balance at 31 December 2018	500,758

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Except for AFS disclosed in Note 18 and financial assets at FVTPL disclosed in Note 19, the management of the Group consider that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

The fair value of financial assets and financial liabilities other than financial assets at FVTPL of the Group is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

Subsidiaries acquired in 2018

(a) On 6 March 2018, the Group acquired 90% equity interest in Enping Empire Resort and Spa Development Limited ("Enping Empire") for a consideration of RMB495,000,000. This acquisition has been accounted for as purchase of assets and liabilities. Enping Empire is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property, plant and equipment	25,760
Current assets	
Inventories of properties	614,625
Other receivables	111
Bank balances and cash	1,984
Current liability	
Other payables	(92,480)
Net assets	550,000
Less: Non-controlling interests (10%)	(55,000)
	495,000

Consideration transferred

	RMB'000
Cash paid	300,000
Deposit paid in previous year	100,000
Consideration payable	95,000
Total consideration	495,000

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2018 (Continued)

(a) (Continued)

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	300,000
Less: Bank balances and cash acquired	(1,984)
	298,016

(b) On 9 April 2018, the Group acquired 90% equity interest in Xinjiang Jiayuan Property Development Co., Limited ("Xinjiang Jiayuan") (formerly known as 烏魯木齊市創達商貿有限公司) for a consideration of RMB1,240,200,000. This acquisition has been accounted for as purchase of assets and liabilities. Xinjiang Jiayuan is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property, plant and equipment	49
Current assets	
Inventories of properties	1,379,065
Other receivables and prepayments	1,507
Bank balances and cash	1,086
Current liability	
Other payables	(3,707)
Net assets	1,378,000
Less: Non-controlling interests (10%)	(137,800)
	1,240,200

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2018 (Continued)

(b) (Continued)

Consideration transferred

	RMB'000
Cash paid	1,240,200

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	1,240,200
Less: Bank balances and cash acquired	(1,086)
	1,239,114

(c) On 26 September 2018, the Group acquired 70.1% equity interest in Sino Harbour Holdings Limited ("Sino Harbour") for a consideration of HK$657,538,000 (equivalent to approximately RMB579,159,000). This acquisition has been accounted for as purchase of assets and liabilities. Sino Harbour is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Current assets	
Inventories of properties	2,192,705
Other receivables and prepayment	8
Bank balances and cash	46
Current liabilities	
Other payables	(805,248)
Due to a non-controlling interest	(276,136)
Bank borrowings	(285,185)
Net assets	826,190
Less: Non-controlling interests (29.9%)	(247,031)
	579,159

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2018 (Continued)

(c) (Continued)

Consideration transferred

	RMB'000
Cash paid	579,159

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	579,159
Less: Bank balances and cash acquired	(46)
	579,113

(d) On 15 November 2018, the Group acquired 70.1% equity interest in Top Galaxy Limited ("Top Galaxy") for a consideration of HK$1,752,500,000 (equivalent to RMB1,553,416,000). This acquisition has been accounted for as purchase of assets and liabilities. Top Galaxy is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Current assets	
Inventories of properties	2,221,579
Other receivables and prepayment	1,235,081
Bank balances and cash	300
Current liability	
Bank borrowings	(1,240,960)
Net assets	2,216,000
Less: Non-controlling interests (29.9%)	(662,584)
	1,553,416

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2018 (Continued)

(d) (Continued)

Consideration transferred

	RMB'000
Cash paid	**1,553,416**

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	**1,553,416**
Less: Bank balances and cash acquired	**(300)**
	1,553,116

Subsidiaries acquired in 2017

(a) On 25 May 2017, the Group acquired 100% equity interest in Haiyi International Land (Taicang) Co., Limited ("Haiyi Taicang") for a consideration of RMB230,000,000. This acquisition has been accounted for as purchase of assets and liabilities. Haiyi Taicang is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	174
Current assets	
Inventories of properties	237,089
Other receivables	75,654
Bank balances and cash	259
Current liability	
Trade and other payables	(83,176)
Net assets	230,000

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2017 (Continued)

(a) (Continued)

Consideration transferred

	RMB'000
Cash paid	187,300
Consideration payable (fully settled in 2018)	42,700
Total consideration	230,000

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	187,300
Less: Bank balances and cash acquired	(259)
	187,041

(b) On 30 June 2017, a 70% owned subsidiary acquired 100% equity interest in Yangzhou Jialian Property Development Co., Limited ("Yangzhou Jialian") for a consideration of RMB890,000,000. This acquisition has been accounted for as purchase of assets and liabilities. Yangzhou Jialian is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Current asset	
Inventories of properties	890,378
Current liability	
Other payable	(378)
Net assets	890,000

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2017 (Continued)

(b) (Continued)

Consideration transferred

	RMB'000
Cash paid	750,000
Deposit paid in previous year	140,000
Total consideration	890,000

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	750,000

(c) On 16 November 2017, the Group acquired 100% equity interest in Yangzhou Yurun Property Development Co., Limited ("Yangzhou Yurun") for a consideration of RMB2,450,000,000. This acquisition has been accounted for as purchase of assets and liabilities. Yangzhou Yurun is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	1,010
Current assets	
Inventories of properties	3,043,343
Other receivables and prepayment	104,768
Bank balances and cash	29,687
Current liabilities	
Trade and other payables	(246,995)
Pre-sale deposits received	(481,813)
Net assets	2,450,000

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2017 (Continued)

(c) (Continued)

Consideration transferred

	RMB'000
Cash paid	2,390,000
Consideration payable (fully settled in 2018)	60,000
Total consideration	2,450,000

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	2,390,000
Less: Bank balances and cash acquired	(29,687)
	2,360,313

(d) On 29 December 2017, the Group completed acquisition of 100% equity interest in Shenzhen Songling Industrial Co., Ltd. ("Shenzhen Songling") for a consideration of RMB930,000,000. This acquisition has been accounted for as purchase of assets and liabilities. Shenzhen Songling is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	391
Current assets	
Inventories of properties	786,873
Other receivables and prepayments	142,113
Bank balances and cash	851
Current liability	
Trade and other payables	(228)
Net assets	930,000

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2017 (Continued)

(d) (Continued)

Consideration transferred

	RMB'000
Cash paid	100,000
Deposit paid in previous year	610,000
Consideration payable (fully settled in 2018)	220,000
Total cash consideration	930,000

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	100,000
Less: Bank balances and cash acquired	(851)
	99,149

(e) On 18 September 2017, the Group acquired 100% equity interest in MJY Property Limited ("MJY Property") for a consideration of MOP25,000 (equivalent to approximately RMB21,000). This acquisition has been accounted for as purchase of assets and liabilities. MJY Property is engaged in the property development operations, and was acquired from related parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	21

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	21

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Dividend payable RMB'000	Bank and other borrowings RMB'000 *(Note 27)*	Senior notes RMB'000 *(Note 28)*	Due to non-controlling interests RMB'000 *(Note 39)*	Due to related parties RMB'000 *(Note 39)*	Other unsecured interest free advances RMB'000 *(Note 25)*	Total RMB'000
At 1 January 2017 (restated)	–	6,871,436	695,650	54,282	390,840	86,470	8,098,678
Financing cash flows	–	3,852,561	3,575,520	128,283	13,847	(86,470)	7,483,741
Foreign exchange translation	–	(6,217)	(98,467)	–	–	–	(104,684)
Interest expenses	–	1,012,129	158,249	–	–	–	1,170,378
At 31 December 2017 (restated)	–	11,729,909	4,330,952	182,565	404,687	–	16,648,113
Financing cash flows	(129,631)	(1,551,288)	1,859,908	340,687	(404,687)	–	114,989
Acquisition of subsidiaries *(Note 32)*	–	1,526,145	–	276,136	–	–	1,802,281
Consideration payable for acquisition of entities under common control	–	–	–	–	369,856	–	369,856
Foreign exchange translation	–	131,025	244,313	–	–	–	375,338
Interest expenses	–	739,330	777,336	–	–	–	1,516,666
Scrip dividend	(495,655)	–	–	–	–	–	(495,655)
Dividend declared	625,286	–	–	–	–	–	625,286
At 31 December 2018	–	12,575,121	7,212,509	799,388	369,856	–	20,956,874

34. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in defined contribution retirement schemes administrated by the local municipal government. The Company's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary as required by local municipal government to the schemes to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme, which contributions is matched by employees.

The total expense recognised in profit or loss of RMB7,456,000 (2017: RMB5,119,000) represents contribution payable to these plans by the Group at rates specified in the rules of the plans.

35. PLEDGE OF ASSETS

The following assets were pledged to secure the mortgage guarantees provided to customers and certain banking and other facilities granted to the Group at the end of the reporting period:

	2018 RMB'000	2017 RMB'000 (Restated)
Pledged bank deposits	**1,357,179**	864,585
Financial assets at fair value through profit or loss	**14,958**	–
Prepayment and deposits paid for life insurance policies	**–**	9,444
Property and equipment	**73,946**	75,581
Investment properties	**1,048,391**	998,000
Properties under development	**12,973,917**	14,669,409
Properties held for sale	**237,105**	214,935
	15,705,496	16,831,954

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of leased properties under non-cancellable operating leases which fall due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**1,430**	1,233
In the second to fifth year inclusive	**2**	843
	1,432	2,076

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for 1 year (2017: ranging from 1 to 2 years) with fixed rentals.

36. OPERATING LEASE COMMITMENTS (CONTINUED)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 RMB'000	2017 RMB'000 (Restated)
Within one year	**33,491**	55,712
In the second to fifth year inclusive	**119,757**	94,996
After five years	**124,226**	101,694
	277,474	252,402

Leases are negotiated for terms ranging from 3 to 15 years (2017: 1 to 15 years) with fixed rentals.

37. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	2018 RMB'000	2017 RMB'000 (Restated)
Contracted but not provided for in the consolidated financial statements:		
– Expenditure in respects of projects classified as properties under development for sales and investment properties under construction	**6,126,635**	3,700,347

38. CONTINGENT LIABILITIES

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Mortgage guarantees	**6,358,573**	4,816,693	4,397,090

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

38. CONTINGENT LIABILITIES (CONTINUED)

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and at relevant reporting dates and accordingly, the directors of the Company consider that the possibility of default by the purchasers of the Group's properties is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and as at 31 December 2018, 31 December 2017 and 1 January 2017.

39. RELATED PARTY TRANSACTIONS AND BALANCES

The Group entered into the following significant transactions with its related parties during the year:

(a) Procurement of intelligent system equipment

	2018 RMB'000	2017 RMB'000
Zhejiang Xigu Digital Technology Co., Ltd. ("Zhejiang Xigu") 浙江西谷數字技術股份有限公司	**9,372**	12,782
Jiaxing City Deyu Electronics Technology Co., Ltd. ("Jiaxing Deyu") 嘉興市德宇電子科技有限公司	**2,267**	1,871

Zhejiang Xigu and Jiaxing Deyu are controlled by close family members of the Ultimate Shareholder.

(b) Architectural design fee

	2018 RMB'000	2017 RMB'000 (Restated)
Jiaxing City Boyuan Architecture Design Co., Ltd ("Jiaxing Boyuan") 嘉興市博源建築設計有限公司	**19,039**	18,929

Jiaxing Boyuan is an entity controlled by the Ultimate Shareholder.

(c) Property management fee

	2018 RMB'000	2017 RMB'000
Zhejiang Jia Yuan Property Group Co., Ltd. ("Jia Yuan Property") 浙江佳源物業服務集團有限公司 (formerly known as 浙江佳源物業管理有限公司)	**22,845**	13,938

Jia Yuan Property is an entity controlled by the Ultimate Shareholder.

39. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Financial guarantees provided by a director of the Company, a related party whom is the spouse of a director of the Company and a related company which is under common control of the Ultimate Shareholder for bank and other borrowings of the Group:

	2018 RMB'000	2017 RMB'000
Bank and other borrowings guaranteed by a director of the Company and related parties	**118,347**	788,019

(e) Related party balances

At the end of each year, the Group has the following significant balances with related parties:

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Amounts due from related parties			
Trade nature			
Jiayuan Boyuan	**–**	–	3,578
Zhejiang Xigu	**342**	50	51
Jiaxing Deyu	**89**	–	356
Jia Yuan Property	**286**	1,300	1,663
Tianjin Jiayuan Investment Management Co., Ltd. ("Tianjin Jiayuan") 天津佳源投資管理有限公司	**–**	–	140
Non-trade nature			
Nanjing Hengzhi Commercial Management Co., Ltd. ("Nanjing Hengzhi") 南京恒至元商業管理有限公司	**1,161**	–	–
	1,878	1,350	5,788

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Amounts due from non-controlling interests			
Zhejiang Jiayuan Shencheng Property Development limited ("Jiayuan Shencheng") *(Note)* 浙江佳源申城房地產集團有限公司	**–**	1,337,612	842,336

Note: Prior to acquisition of entities under common control in the year ended 31 December 2018, dividend of RMB622,916,000 was distributed to the original shareholder, Jiayuan Shencheng. The dividend was used to offset the amount due from Jiayuan Shencheng while the remaining balance was fully repaid by a net cash inflow of RMB714,696,000 during the year ended 31 December 2018.

39. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(e) Related party balances (Continued)

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Amounts due to related parties			
Trade Nature			
Jiayuan Boyuan	–	504	–
Zhejiang Xigu	6,164	5,877	140
Jiaxing Deyu	3,737	768	–
Jiangsu Five Star Co., Ltd. ("Jiangsu Five Star") 江蘇五星電器有限公司	–	39	–
Jia Yuan Property	1,999	–	–
Non-trade Nature			
Jiayuan Chuang Sheng Holding Co., Ltd. ("Jiayuan Chuang Sheng") 佳源創盛控股集團有限公司	–	404,687	390,840
Ultimate Shareholder	369,856	–	–
	381,756	411,875	390,980

	31/12/2018 RMB'000	31/12/2017 RMB'000 (Restated)	1/1/2017 RMB'000 (Restated)
Amounts due to non-controlling interests			
Jiayuan Shencheng	–	182,565	54,282
Tang Shing Bor	710,125	–	–
Zhejiang Xinlung Enterprise Management Limited 浙江昕隆企業管理有限公司	89,100	–	–
Zhuhai Rirong Property Development Limited 珠海日榮房地產開發有限公司	163	–	–
	799,388	182,565	54,282

Tianjin Jiayuan, Jiayuan Chuang Sheng and Jiangsu Five Star are controlled by close family members of the Ultimate Shareholder.

Nanjing Hengzhi is controlled by the Ultimate Shareholder.

The above balances with related parties are unsecured, non-interest bearing and repayable on demand.

39. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(f) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2018 RMB'000	2017 RMB'000
Short term benefits	**11,884**	12,090
Post-employment benefits	**275**	222
	12,159	12,312

The remuneration of directors and other key executives is determined having regard to the performance of individuals and market trends.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Equity interest attributable to the Group Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
Hong Kong Jiayuan Commercial Properties Limited 香港佳源商業地產有限公司	Hong Kong	–	–	100%	100%	HK$10,000	Hong Kong	Investment holding
Hong Kong Jia Yuan Holdings Limited 香港佳源集團有限公司	Hong Kong	–	–	100%	100%	HK$990,000	Hong Kong	Investment and property holding
Guo Xiang Property Co., Limited 國祥房地產有限公司	Hong Kong	–	–	100%	100%	HK$10,000	Hong Kong	Investment holding
Hong Kong Youyou Kids Playground Limited 香港優優兒童娛樂有限公司	Hong Kong	–	–	100%	100% *(Note iii)*	HK$10,000	Hong Kong	Investment holding
Jiayuan Investment Management Limited 佳源投資管理有限公司	BVI	100%	100%	–	–	US$1	Hong Kong	Investment holding

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(a) Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest attributable to the Group Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
Jiayuan Commercial Properties Company Limited 佳源商業地產有限公司	BVI	**100%**	100%	**–**	–	US$1	Hong Kong	Investment holding
Nanjing Jiayuan Commercial Management Limited 南京佳源商業管理有限公司	PRC, wholly foreign owned enterprise	**–**	–	**100%**	100% *(Note iii)*	RMB100,000	PRC	Property development and investment
Nanjing Xinhaoning Property Development Co., Limited 南京新浩寧房地產開發有限公司	PRC, Sino-foreign joint venture enterprise	**–**	–	**100%**	100%	US$99,000,000	PRC	Property development
Nantong Lishun Property Limited 南通力順置業有限公司	PRC, domestic enterprise	**–**	–	**100%**	100%	RMB20,000,000	PRC	Property development and investment
Suqian Jia Yuan Property Development Co., Limited ("Suqian Jia Yuan") 宿遷市佳源房地產開發有限公司	PRC, domestic enterprise	**–**	–	**90%**	90%	RMB60,000,000	PRC	Property development
Siyang Fengyuan Property Development Co., Limited 泗陽豐源房地產開發有限公司	PRC, domestic enterprise	**–**	–	**100%**	100%	RMB50,000,000	PRC	Property development and investment
Taixing Guangyuan Property Development Co., Limited 泰興市廣源房地產開發有限公司	PRC, domestic enterprise	**–**	–	**100%**	100%	RMB300,000,000	PRC	Property development and investment
Taixing Hengyuan Property Development Co., Limited 泰興市恒源房地產開發有限公司	PRC, domestic enterprise	**–**	–	**100%**	100%	RMB26,670,000	PRC	Property development and investment
Taixing Mingyuan Property Development Co., Limited 泰興市明源房地產開發有限公司	PRC, wholly foreign owned enterprise	**–**	–	**100%**	100%	US$10,000,000	PRC	Property development
Taixing Hengyuan Commercial Management Limited 泰興市恒源商業管理有限公司	PRC, domestic enterprise	**–**	–	**100%**	100% *(Note iii)*	RMB100,000	PRC	Property development and investment

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(a) Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest attributable to the Group: Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
Taixing Jiayuan Commercial Management Limited 泰興市佳源商業管理有限公司	PRC, domestic enterprise	–	–	100%	100% *(Note iii)*	RMB100,000	PRC	Property development and investment
Taizhou Mingyuan Commercial Management Limited 泰州明源商業管理有限公司	PRC, domestic enterprise	–	–	100%	100% *(Note iii)*	RMB100,000	PRC	Property development and investment
Taizhou Jia Yuan Property Development Co., Limited 泰州市佳源房地產開發有限公司	PRC, domestic enterprise	–	–	100%	100%	RMB140,000,000	PRC	Property development and investment
Taizhou Mingyuan Property Development Co., Limited 泰州市明源房地產開發有限公司	PRC, domestic enterprise	–	–	100%	100%	RMB60,000,000	PRC	Property development and investment
Yangzhou Guangyuan Property Development Co., Limited 揚州廣源房地產開發有限公司	PRC, Sino-foreign joint venture enterprise	–	–	100%	100%	US$22,560,000	PRC	Property development and investment
Yangzhou Xiangjiang New City Centre Property Limited 揚州香江新城市中心置業有限公司	PRC, domestic enterprise	–	–	100%	100%	RMB400,000,000	PRC	Property development and investment
Yangzhou Hengyuan Property Development Co., Limited 揚州恒源房地產開發有限公司	PRC, domestic enterprise	–	–	100%	100%	RMB40,000,000	PRC	Property development and investment
Yangzhou Mingyuan Property Development Co., Limited 揚州明源房地產開發有限公司	PRC, domestic enterprise	–	–	100%	100%	RMB10,000,000	PRC	Property development and investment
Yangzhou Jiayuan Commercial Management Limited 揚州佳源商業管理有限公司	PRC, domestic enterprise	–	–	100%	100% *(Note iii)*	RMB100,000	PRC	Property development and investment

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(a) Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2018	2017	2018	2017			
Yangzhou Jialian Property Development Co., Limited 揚州嘉聯置業發展有限公司	PRC, domestic enterprise	–	–	70%	70% (Note ii)	RMB75,087,960	PRC	Property development
Yangzhou Gangyuan Property Management Limited ("Yangzhou Gang Yuan") 揚州港源置業管理有限公司	PRC, domestic enterprise	–	–	70%	70% (Note iii)	RMB10,000,000	PRC	Property development
Yangzhou jiayuan Commercial Management Limited 揚州金源商業管理有限公司	PRC, wholly foreign owned enterprise	–	–	100%	100% (Note iii)	US$3,000,000	PRC	Property development and investment
Hengli Property Nantong Limited 恒力房地產南通有限公司	PRC, domestic enterprise	–	–	100%	100%	RMB607,750,000	PRC	Property development and investment
Jiayuan (Shenzhen) Investment Consultancy Limited 佳源 (深圳) 投資諮詢有限公司	PRC, wholly foreign owned enterprise	–	–	100%	100% (Note iii)	RMB100,000	PRC	Property development and investment
Shenzhen Gangyuan Investment Consulting Co.,Ltd. 深圳港源投資諮詢有限公司	PRC wholly foreign owned enterprise	–	–	100% (Note iv)	–	RMB100,000	PRC	Investment holding
Yangzhou Baoyuan Commercial Management Co., Limited 揚州博源商務管理有限公司	PRC wholly foreign owned enterprise	–	–	100% (Note iv)	–	RMB725,500,000	PRC	Investment holding
Haiyi International Land (Taicang) Co., Limited 海藝國際置地(太倉)有限公司	PRC domestic enterprise	–	–	100%	100% (Note ii)	RMB150,000,000	PRC	Property development
Yangzhou Guoyuan Property Development Co., Limited 揚州國源房地產開發有限公司	PRC domestic enterprise	–	–	100% (Note iv)	–	RMB100,000,000	PRC	Property development

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(a) Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2018	2017	2018	2017			
Changzhou Chongyuan Commercial Management Limited 常州崇源商業管理有限公司	PRC, domestic enterprise	–	–	100%	100% (Note iii)	RMB100,000	PRC	Property development and investment
Changzhou Jinyuan Property Development Co., Limited 常州金源房地產開發有限公司	PRC, wholly foreign owned enterprise	–	–	100%	100%	RMB70,500,000	PRC	Property development
Jiangsu Derun Hongxiang Property Limited 江蘇德潤鴻翔置業有限公司	PRC, domestic enterprise	–	–	100%	100%	RMB20,000,000	PRC	Property development and investment
Nanjing Jia Feng Investment Management Co., Limited 南京嘉豐投資管理有限公司	PRC, domestic enterprise	–	–	100%	100%	RMB5,000,000	PRC	Investment holding
Ninggang Jiayuan Investment Consulting Group Limited 寧港佳源投資諮詢集團有限公司 (formerly known as Nanjing Gangyuan Investment Consulting Co., Limited 南京港源投資諮詢有限公司)	PRC, wholly foreign owned enterprise	–	–	100%	100%	RMB1,000,000	PRC	Investment holding
Yangzhou Yurun Property Development Co., Limited 揚州雨潤房地產開發有限公司	PRC domestic enterprise	–	–	100%	100% (Note ii)	RMB100,000,000	PRC	Property development
Shenzhen Songling Industrial Co., Ltd. 深圳市松齡實業有限公司	PRC domestic enterprise	–	–	100%	100% (Note ii)	RMB100,000,000	PRC	Property development
Changzhou Dexin Jiayuan Property Limited ("Changzhou Dexin") 常州德信佳源置業有限公司	PRC domestic enterprise	–	–	50.5% (Note iv)	–	RMB220,000,000	PRC	Property development

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(a) Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest attributable to the Group Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
Xiangyuan Property Development Limited 祥源地產開發有限公司	Macau	–	–	100% (Note iv)	–	MOP25,000	Macau	Property development and investment
Jiayuan (Macau) Holding Limited 佳源(澳門)控股有限公司 (formerly known as Advance Success Holdings Limited)	BVI	–	–	100% (Note iv)	–	US$1	Hong Kong	Investment holding
Jaiyuan (Macau) Investment Limited 佳源(澳門)投資有限公司 (formerly known as Evermore Victory Limited)	BVI	–	–	100% (Note iv)	–	US$1	Hong Kong	Investment holding
MJY Property Limited 澳門佳源置業有限公司	Macau	–	–	100%	100% (Note ii)	MOP25,000	Macau	Property development and investment
Huyuan Holding Limited ("Huyuan") 滬源控股有限公司	BVI	–	–	100% (Note vi)	–	US$50,000	Hong Kong	Investment holding
Shanghai Dingyuan Property Development Co. Limited ("Shanghai Dingyuan") 上海定源房地產有限公司	PRC	–	–	90% (Note vi)	90%	RMB10,000,000	PRC	Property development and investment
Shanghai Dongyuan Property Development Co. Limited ("Shanghai Dongyuan") 上海東源房地產開發有限公司	PRC	–	–	90% (Note vi)	90%	RMB10,000,000	PRC	Property development and investment
Shanghai Xiangyuan Property Development Co. Limited ("Shanghai Xiangyuan") 上海祥源房地產有限公司	PRC	–	–	90% (Note vi)	90%	RMB5,000,000	PRC	Property development and investment

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(a) Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2018	2017	2018	2017			
Shanghai Yeyuan Enterprise Consulting Co. Limited ("Yeyuan") 上海業源企業諮詢有限公司	PRC	–	–	90% (Note vi)	90%	RMB35,000,000	PRC	Investment holding
Guizhou Hengfeng Xingyuan Development Co. Limited 貴州恒豐佳源房地產開發有限公司	PRC	–	–	69% (Note iv)	–	RMB10,000,000	PRC	Property development and investment
Xinjiang Jiayuan Building Development Co. Limited 新疆佳源創建房地產開發有限公司	PRC	–	–	90% (Note v)	–	RMB100,000	PRC	Property development and investment
Chu Yuan Li (Cambodia) Development Co., Ltd	Cambodia	–	–	100% (Note iv)	–	US$1,000	Cambodia	Property development and investment
Enping Empire Resort and Spa Development Limited ("Enping Empire") 恩平市帝都溫泉旅遊區發展有限公司	PRC	–	–	90% (Note v)	–	RMB133,000,000	PRC	Property development
Sino Harbour Holdings Limited ("Sino Harbour")	Hong Kong	–	–	70.1% (Note v)	–	HK$1	Hong Kong	Investment holding
Top Galaxy Limited ("Top Galaxy")	BVI	–	–	70.1% (Note v)	–	HK$7.8	Hong Kong	Investment holding

Notes:

i. The English name for all of the above subsidiaries established in the PRC is translated for identification purpose only.
ii. These subsidiaries were acquired in 2017.
iii. These subsidiaries were established in 2017.
iv. These subsidiaries were established in 2018.
v. These subsidiaries were acquired in 2018.
vi. These subsidiaries were acquired under common control in 2018.

None of the subsidiaries had issued any debt securities at the end of the year.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(b) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests		
		31/12/2018 %	31/12/2017 %	1/1/2017 %	2018 RMB'000	2017 RMB'000	31/12/2018 RMB'000	31/12/2017 RMB'000	1/1/2017 RMB'000
Suqian Jia Yuan	PRC	10	10	10	1,153	4,692	23,978	22,824	18,131
Jiangsu De Run	PRC	–	–	20	–	(540)	–	–	89,810
Changzhou De Xin *(Note)*	PRC	49.5	N/A	N/A	(4,542)	N/A	104,358	N/A	N/A
Guizhou Hengfeng *(Note)*	PRC	39	N/A	N/A	(1,143)	N/A	2,757	N/A	N/A
Enping Empire *(Note)*	PRC	10	N/A	N/A	(292)	N/A	54,708	N/A	N/A
Xinjiang Jiayuan *(Note)*	PRC	10	N/A	N/A	(679)	N/A	137,121	N/A	N/A
Shanghai Xiang Yuan	PRC	10	10	10	52,002	2,340	(2,035)	4,130	1,790
Shanghai Ding Yuan	PRC	10	10	10	1,402	1,717	14,416	16,637	14,920
Shanghai Dong Yuan	PRC	10	10	10	577	1,324	(1,471)	(1,546)	(2,870)
Yangzhou GangYuan	PRC	30	30	–	25,915	2,082	27,997	2,082	–
Sino Harbour *(Note)*	HK	29.9	N/A	N/A	(3,004)	N/A	244,027	N/A	N/A
Top Galaxy *(Note)*	HK	29.9	N/A	N/A	(1,389)	N/A	661,141	N/A	N/A
Individually immaterial subsidiaries with non-controlling interests					(1,544)	–	(3,198)	–	–
Total					68,456	11,615	1,263,799	44,127	121,781

Note: These subsidiaries are either acquired or established in 2018.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(b) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests (Continued)

Changzhou De Xin

	2018 RMB'000
Current assets	**840,805**
Non-current assets	**287**
Current liabilities	**(230,288)**
Non-current liabilities	**(399,980)**
Total equity	**210,824**
Equity attributable to owners of the Company	**106,466**
Non-controlling interests	**104,358**

	31/12/2018 RMB'000
Revenue	**–**
Other income	**34**
Expenses	**(9,210)**
Loss and total comprehensive expense for the period	**(9,176)**
Loss attributable to owners of the Company	**(4,634)**
Loss attributable to the non-controlling interests	**(4,542)**
Net cash outflow from operating activities	**(609,214)**
Net cash outflow from investing activities	**(321)**
Net cash inflow from financing activities	**799,980**
Net cash inflow	**190,445**

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(b) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests (Continued)

Xinjiang Jiayuan

	2018 RMB'000
Current assets	2,538,886
Non-current assets	958
Current liabilities	(1,168,633)
Total equity	1,371,211
Equity attributable to owners of the Company	1,234,090
Non-controlling interests	137,121

	31/12/2018 RMB'000
Revenue	–
Other income	13
Expenses	(6,802)
Loss and total comprehensive expense for the period	(6,789)
Loss attributable to owners of the Company	(6,110)
Loss attributable to the non-controlling interests	(679)
Net cash outflow from operating activities	(700,455)
Net cash outflow from investing activities	(1,078)
Net cash inflow from financing activities	740,222
Net cash inflow	38,689

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(b) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests (Continued)

Sino Harbour

	2018 RMB'000
Current assets	2,562,513
Current liabilities	(1,746,369)
Total equity	816,144
Equity attributable to owners of the Company	572,117
Non-controlling interests	244,027

	26/9/2018 to 31/12/2018 RMB'000
Revenue	–
Expenses	(10,046)
Loss and total comprehensive expense for the period	(10,046)
Loss attributable to owners of the Company	(7,042)
Loss attributable to the non-controlling interests	(3,004)
Net cash outflow from operating activities	(656,390)
Net cash inflow from financing activities	672,050
Net cash inflow	15,660

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

(b) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests (Continued)

Top Galaxy

	2018 RMB'000
Current assets	3,990,199
Current liabilities	(1,779,025)
Total equity	2,211,174
Equity attributable to owners of the Company	1,550,033
Non-controlling interests	661,141

	15/11/2018 to 31/12/2018 RMB'000
Revenue	–
Expenses	(4,645)
Loss and total comprehensive expense for the period	(4,645)
Loss attributable to owners of the Company	(3,256)
Loss attributable to the non-controlling interests	(1,389)
Net cash inflow from operating activities	609,612
Net cash outflow from financing activities	(601,356)
Net cash inflow	8,256

41. EVENTS AFTER THE REPORTING PERIOD

On 15 January 2019, the connected transaction involving acquisition of entire equity interest in Chuangyuan Holdings Limited and its subsidiaries (collectively referred to as the "Chuangyuan Group") from the Ultimate Shareholder was approved by shareholders in the extraordinary general meeting. The Chuangyuan Group is engaged in property management business in the PRC, and the transaction was completed on 21 January 2019. Details of the transactions are set out in the circular issued by the Company dated 24 December 2018.

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**818,931**	382,539
Amounts due from subsidiaries	**3,118,745**	5,248,124
	3,937,676	5,630,663
CURRENT ASSETS		
Other receivables and prepayments	**824,435**	790,032
Amounts due from a subsidiary	**5,369,483**	–
Financial assets at fair value through profit or loss	**57,218**	–
Bank balances and cash	**439,339**	1,785,530
	6,690,475	2,575,562
CURRENT LIABILITIES		
Other payables and accrued expenses	**79,055**	58,421
Amounts due to subsidiaries	**1,282**	261
Bank and other borrowings	**382,061**	363,556
Senior notes	**4,477,446**	3,681,736
	4,939,844	4,103,974
NET CURRENT ASSETS (LIABILITIES)	**1,750,631**	(1,528,412)
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,688,307**	4,102,251
CAPITAL AND RESERVES		
Share capital	**21,083**	20,564
Reserves	**2,932,161**	3,432,471
TOTAL EQUITY	**2,953,244**	3,453,035
NON-CURRENT LIABILITY		
Senior notes	**2,735,063**	649,216
	5,688,307	4,102,251

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements of the Company's reserves:

	Share premium RMB'000	(Accumulated losses) retained earnings RMB'000	Total RMB'000
At 1 January 2017	1,020,394	(53,503)	966,891
Placing and subscription of shares	2,195,708	–	2,195,708
Profit and total comprehensive income for the year	–	269,872	269,872
At 31 December 2017	3,216,102	216,369	3,432,471
Issue of shares for scrip dividend	495,310	–	495,310
Issue of shares for acquisition of entities under common control	245,760	–	245,760
Dividends recognised as distribution	(625,286)	–	(625,286)
Loss and total comprehensive expense for the year	–	(616,094)	(616,094)
At 31 December 2018	**3,331,886**	**(399,725)**	**2,932,161**

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000 (Restated)	2017 RMB'000 (Restated)	**2018** **RMB'000**
Revenue	2,318,266	2,162,557	4,265,909	7,606,548	**10,458,841**
Profit before taxation	533,688	546,519	1,479,564	2,366,386	**3,456,978**
Income tax expense	(215,842)	(198,744)	(699,226)	(1,022,270)	**(1,594,092)**
Profit for the year	317,846	347,775	780,338	1,344,116	**1,862,886**
Attributable to:					
Owners of the Company	305,099	331,451	785,174	1,332,501	**1,794,430**
Non-controlling interests	12,747	16,324	(4,836)	11,615	**68,456**
	317,846	347,775	780,338	1,344,116	**1,862,886**

ASSETS AND LIABILITIES

	As at 31 December				
	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000 (Restated)	2017 RMB'000 (Restated)	**2018** **RMB'000**
Total assets	14,972,121	16,286,911	20,539,464	36,420,441	**46,747,364**
Total liabilities	(13,030,664)	(14,712,924)	(17,085,819)	(29,427,758)	**(37,804,325)**
Net assets	1,941,457	1,573,987	3,453,645	6,992,683	**8,943,039**
Equity attributable to owners of the Company	1,713,704	1,534,719	3,331,864	6,948,557	**7,679,240**
Non-controlling interests	227,753	39,268	121,781	44,126	**1,263,799**
	1,941,457	1,573,987	3,453,645	6,992,683	**8,943,039**

Note: The results for each of the three years ended 31 December 2016 and the assets and liabilities as at 31 December 2014 and 2015 have been prepared on a combined basis to indicate the results and the assets and liabilities of the Group as if its consolidated financial statements incorporate the financial statement items of Huyuan Group in which the common control combination occurs as if the Group and Huyuan Group had been combined from the date when Huyuan Group first came under the control of the Ultimate Shareholder.