China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838

Annual Report 2018

POWER VISION

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director
Mr. Kwan Kai Cheong

Independent Non-executive Directors
Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

COMMITTEES

Audit Committee
Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

Remuneration Committee
Dr. Garry Alides Willinge *(Chairman)*
Dr. Wang Shih Chang, George
Mr. Luk Koon Hoo

Nomination Committee
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael

AUTHORIZED REPRESENTATIVES
Dr. Wang Shih Chang, George
Mr. Wong Sai Chung

COMPANY SECRETARY
Ms. Yu Ling Ling

STOCK CODE
1838

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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20 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
Agricultural Bank of China
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank

AUDITOR
BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY'S WEBSITE
www.cpg-group.com

CHAIRMAN'S STATEMENT

If someone was in dire danger and he had the guts to bear the pain and set himself free by severing one of his fingers, it might not be too bad after all. But Trump is just too evil: with the sword of Damocles hanging over the head of the Chinese, who are subject to the imminent danger of destruction, none of us can get a good night's sleep. Despite the fact that everyone on the planet hates him, by no means it's easy to handle him with the slick trick like playing "Han Xin" to swallow the humiliation for now. Surely, I hope a squad of gurus could emerge from my home country and come up with a plan to put off this formidable fire. Yet at the moment, we business people who got caught up in this thing must keep our eyes open and be vigilant, or we'll be doomed at any time. In 2018, the Group, with a debt ratio of only a few percent, encountered a bizarre request for immediate repayment of loans in the Mainland. Fortunately, we were blessed with strong assets and were able to fix the problem by selling a few pieces of non-core assets. In 2019, we must be on the lookout and get rid of real properties as soon as possible. Nobody can meddle with one who gets bundles of cash on hand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group Strategies

Looking ahead, the Group would continue to master property development projects, both residential and commercial, with sizable and distinct quality, in prime locations in the People's Republic of China ("PRC"). Our overall objectives are to exploit business opportunities, achieve sales growth, and enhance income as planned.

Key property development projects are as follows:

- ***High-end and sizable middle-class residential projects***

  There are both high-end residential and well-located projects for the growing middle-class in both Shanghai and Chongqing. Luxurious design and leading residential projects, characterised by themes and motifs, are connected with mass transit system with rapid, convenient and efficient transportation.

- ***Modern and upscale theme shopping street developments***

  These are modern, well-designed architectural projects situated at prime retail areas in major cities in the PRC which combines retail, residential, entertainment, cultural and recreational users with great accessibility, a focal point with attractions for residential, investment and business operations.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

China's GDP in 2018 was recorded at RMB90,030.9 billion, representing a 6.6% year-on-year growth.

The residential property market of China remained positive in 2018 as the sales area and investment amount of residential properties grew by 2.2% year-on-year and 13.4% year-on-year respectively, according to the National Statistics Bureau. President Xi reiterated the principle of "housing should be built for residing, but not for speculation" in the government work report in March 2018. Local city-level governments had implemented different housing policies in an attempt to maintain a stable market. The leasing market as a long-term mechanism for China's residential property market development had gained noticeable momentum.

The retail property market of China was buoyant in 2018 as the total retail sales expanded to RMB38,098.7 billion, representing a growth of 9.0% year-on-year. The e-commerce market continued to develop in an expeditious pace. In 2018, the national online retail sales of goods & services amounted to RMB9,006.5 billion, implying an increment of 23.9% year-on-year, of which the online retail sales of commodities was recorded at RMB7,019.8 billion, increased by 25.4%, accounting for 18.4% of the total retail sales of consumer goods. Among the online retail sales of physical goods, food, clothing and daily necessities went up by 33.8%, 22.0% and 25.9% respectively. F&B and entertainment retailers were the fastest growing trades, while the increasing popularity of sports had made sportswear retailers the most active fashion categories.

The office property market of China was dynamic in 2018 evidenced by the positive net take up of office spaces in most major cities. While the technology, media and telecommunications ("TMT") and finance industries remained the key drivers in the office demand, flexible workspace operators had taken up a sizeable market share, especially in first-tier cities. The robust leasing demand from these industries drove a steady vacancy rate and a healthy rental growth.

Overview of the Shanghai Property Market

Shanghai had maintained a steady economic growth. As of 2018, Shanghai's GDP grew by 6.6% year-on-year to RMB3,268.0 billion.

New commodity residential supply rebounded from the low levels in 2017 and recorded at 8.1 million square metres in 2018. The average commodity residential price in the same period grew 24.5% year-on year to about RMB61,000 per square metre, despite a strict intervention from the government since 2016. New policies regulating the speculative real estate investment through shell companies, which only allowed enterprises with at least five years of operation, RMB1 million tax payment and 10 staffs to purchase residential properties in Shanghai, had been launched. The government had also investigated entities releasing fake information, speculate, and act as illegal brokers and sellers in order to stabilize the market.

The retail sales was recorded at RMB1,266.9 billion in 2018, representing a growth of 7.9% year-on-year. The solid performance of retail sales was a positive indicator of the retail property market. A total of seven new shopping malls were completed in 2018 H2, adding 740,000 square metres of new supply to the market. The vacancy rate and net absorption stayed healthy as supported by the strong demand, while the average rent remained stable despite the new supply and tenant mix reshuffling in existing projects. Experimental consumption continued to be the trend in 2018. E-sports, technology, anime, indoor zoo, culture and innovation were some of the new themes in shopping malls.

According to the Shanghai Statistics Bureau, tertiary industry contributed about 70% of the total GDP in 2018, grown by 8.7% year-on-year to RMB2,284.3 billion. Despite a new office supply of 780,000 square metres in core areas in 2018, the overall vacancy rate of Grade A office buildings still dropped to about 10.0% in 2018. Finance, insurance and professional services sector continued to dominate the office demand while flexible workspace operators were expanding in core business areas.

Overview of the Chongqing Property Market

Chongqing's economy continued to grow positively. Chongqing's GDP was recorded at a growth of 6.0% year-on-year to RMB2,036.3 billion in 2018.

The residential property market grew steadily despite a series of new government policies regulating and raising the investment threshold. The transaction volume reached 28.4 million square metres in 2018, representing a 12.9% year-on-year growth. The strong demand were supported by buyers looking for improvements in their living environment, and the average price was surged to about RMB11,900 per square metre, implying a 24.5% increment year-on-year.

The retail sales grew by 8.7% year-on-year in 2018. Nine shopping malls were completed in 2018, totaling a new supply of 600,000 square metres. Several international brands and foreign catering retailers were attracted to Chongqing due to the increasing consumption power. Landlords were keen to welcome Internet celebrity brands as they could attract a high level of footfall and had a high affordability of rent.

According to the Chongqing Statistics Bureau, tertiary industry grew by 9.1% year-on-year to RMB1,065.6 billion in 2018. The supply of Grade A office buildings was relatively stable in 2018 while the demand remained strong. This drove a lower overall vacancy rate. While finance and professional services sectors remained the main demand generators, flexible workspace operators had been rapidly expanding, occupying a considerable market share. The TMT industry had also shown a substantial need of office spaces since the launch of "Innovating China in Chongqing".

Outlook of the Mainland Property Market

After reiterating the principle of "housing should be built for residing, but not for speculation" in the government work report in 2018, the determination of suppressing the investment sentiment of housing market by the central government is anticipated to remain unchanged in 2019. To maintain a stable market, the likelihood of a more stringent policy is expected to be low. Overall, the residential market is expected to remain healthy and the price is expected to grow steadily. Meanwhile, the rental market would be favourable under the current market stabilization policy on purchasing market. More for-lease residential land plots are anticipated to be launched onto the market.

The retail leasing momentum is expected to remain stable with experimental retailers, Internet celebrity F&B stores and child-focused brands being the key demand drivers. Landlords are expected to enrich the shopping experiences and reshuffle the tenant mix regularly to bring a fresh image to customers. All in all, the retail property market in China is anticipated to be further developed steadily.

The office leasing demand is expected to stay strong supported by the steady economic growth. While the robust demand from TMT and finance industries will continue to support a stable rental growth, flexible workspace operators are expected to further take up the market share, especially in first-tier cities. These operators will be more creative in improving the working experience and optimization of space in order to stay competitive.

FINANCIAL REVIEW

The Group's profit attributable to equity holders for the year amounted to RMB360 million (2017: RMB285 million), increased by 26.3% when compared to 2017. Basic earnings per share were RMB0.20 (2017: RMB0.16).

As at December 31, 2018, the total assets increased to RMB60,572 million from RMB59,211 million in last year. Net assets, the equivalent of shareholders' funds, similarly increased to RMB37,550 million (2017: RMB37,190 million). In terms of value per share, net assets value per share is RMB20.76 at the end of the reporting period, as compared to RMB20.56 as at December 31, 2017. As the Group continues its investment of premium property developments in PRC with attendant appreciation in fair value, there was a RMB561 million fair value gain from the current portfolio. In addition, the approximate 2.1% depreciation of RMB to HK$ and United States dollar has resulted in the recognition of a RMB46 million exchange translation loss reported in this fiscal year.

The Group's revenue of RMB96 million (2017: RMB215 million) decreased by 55.4% when compared with last year, and was mainly due to the decrease in revenue from sales of properties.

The revenue from sales of properties amounted to RMB85 million (2017: RMB205 million), decreased by 58.5% as compared to 2017. The Group sold properties with total gross floor area ("GFA") of approximately 140,000 sq.ft. (2017: 52,000 sq.ft.) in 2018, a 169.2% increase as compared with last year.

Gross profit margin for sales of properties was 49.8% (2017: 78.3%), a 36.4 percentage point decrease when compared with last year.

Income from property leasing decreased by 36.0% to RMB1.6 million (2017: RMB2.5 million). The decrease was mainly attributable to less carparks rental income during the year. Property management income was RMB9 million (2017: RMB8 million).

During the year, the Group generated income of RMB13 million, RMB25 million and RMB47 million from sales of residential properties of Shanghai Concord City Phase I, residential properties and car parking spaces of Chongqing Manhattan City Phase I, residential properties and car parking spaces of Chongqing Manhattan City Phase II respectively.

Contract liabilities/deposits received on sales of properties increased to RMB865 million as at December 31, 2018 from RMB440 million as at December 31, 2017. This was primarily due to the increase in deposits received on sales of Shanghai Concord City Phase I and the pre-sale of residential properties of Chongqing Manhattan City Phase III during the year.

Other income, gains and losses, net were RMB5 million (2017: RMB11 million). The decrease was mainly attributable to the decrease in gain on disposal of investment properties of Shanghai Cannes car parking spaces.

During the year, selling expenses were RMB9 million (2017: RMB19 million) which decreased by 52.6%. It was resulted from the decrease in advertising expenses incurred for pre-sale of residential properties.

Administrative expenses during the year were RMB55 million (2017: RMB63 million) which decreased by 12.7%. The decrease was mainly attributable to the decrease in project consultancy fees as well as other tax and related expenses during the year.

Finance costs represent mainly interest expenses and other borrowing costs in relation to bank and other borrowings, effective interest of convertible note and the fixed-rate senior notes. Finance costs of approximately RMB861 million (2017: RMB718 million) were capitalised on various projects, and no finance costs were charged to the profit or loss during the year (2017: RMB179 million).

The changes in fair value of investment properties were RMB561 million (2017: RMB257 million), an increase of 118.3% when compared to 2017. The property price remained steady during the year because the underlying demand remained strong. On the other hand, the central government's blueprint that advocates Shanghai to become an international financial hub in 2020 also benefited local businesses including the retail and office property markets. Combining these factors, the valuation of investment properties in 2018 is still appreciating. The fair value of investment properties in Shanghai experienced an increase of RMB267 million (2017: RMB148 million) which was mainly contributed from valuation appreciation of the project of Shanghai Concord City Phase 2. The fair value of investment properties in Chongqing experienced an increase of RMB294 million (2017: RMB109 million) which was mainly contributed from the valuation appreciation of the projects of Chongqing International Commerce Centre and Chongqing Concord City.

Income tax expense was RMB141 million (2017: RMB98 million), an increase of 43.9%. The Group's effective income tax rate was 28.2% (2017: 25.5%). The increase in income tax expense was due to the increase in the amount of increase in fair value of investment properties for 2018 in comparison to last year.

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium-term basis and arranges refinancing of the Group's borrowing when appropriate. During the year, the Group raised new external borrowings totaling of approximately RMB1,572 million (2017: RMB2,592 million); on the other hand, the Group also received advance from a shareholder amounted to RMB1,415 million (2017: RMB171 million) during the year.

At the end of the reporting period, the Group's senior notes, bank and other borrowings and amount due to a shareholder amounted to RMB1,576 million (2017: RMB1,667 million), RMB4,906 million (2017: RMB5,529 million), RMB3,498 million (2017: RMB2,083 million) respectively. As at 31 December 2017, the Group's debt component of convertible note amounted to RMB393 million, which was fully settled during the year. The Group's total borrowings were RMB9,980 million (2017: RMB9,672 million), an increase of RMB308 million when compared to December 31, 2017. RMB8,453 million (2017: RMB5,933 million) is repayable within one year whilst the remaining is repayable in the second to fifth year inclusive.

The gearing ratio of the Group as at December 31, 2018 was 26.4% (2017: 24.7%), determined as proportion of the Group's net borrowings (after deducting bank balances and cash and pledged bank deposits) to the shareholders' funds.

With bank balances and cash in hand, banking facilities available and those financing plans, in the opinion of the directors, the Group will have sufficient financial resources to satisfy its commitments and working capital requirements.

There was no material acquisition and disposal of group companies during the year.

TREASURY POLICIES

At the end of the reporting period, approximately 84% (2017: 79%) of the Group's borrowings were in RMB. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in RMB and HK$.

The bank borrowings are principally on a floating-rate basis while the other borrowings and senior notes are on a fixed-rate basis.

The Group has not used any interest rate or foreign currency derivative instrument to hedge its exposure to interest rate and foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

CHARGE ON ASSETS

As at December 31, 2018, the Group pledged assets with an aggregate carrying value of RMB48,388 million (2017: RMB45,319 million) to secure loan facilities utilised.

CONTINGENT LIABILITIES

As at December 31, 2018, the Group guaranteed mortgage loans to purchasers of its properties in the aggregate outstanding principal amount of RMB473 million (2017: RMB492 million). During the year, there was no default case.

LEGAL DISPUTES

As at December 31, 2018, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale in an aggregate amount of approximately RMB41 million (2017: RMB52 million) and the withdrawal of bank deposits of approximately RMB5 million (2017: RMB6 million) as at December 31, 2018. In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that not met the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or in the process of making countered claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The management has sought advices from the independent legal advisors or internal legal counsel, as at December 31, 2018, the Group has provided the construction cost liabilities amounting to RMB49 million (2017: RMB69 million) in relation to the above mentioned construction contracts under dispute.

Outstanding legal claims that are subjected to legal proceedings and/or appeal amounted to approximately RMB74 million (2017: RMB42 million) in aggregate. No further provision has been made in the consolidated financial statements in respect of these claims. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

Except for the matters disclosed elsewhere, the Group has the following litigations with some of its lenders:

1) On August 28, 2015, Shanghai Jingan-Concord Real Estate Co., Ltd. ("Shanghai Jingan") and Shanghai Minhang Concord Property Development Co., Ltd.) ("Shanghai Minhang"), each a wholly-owned subsidiary of the Company, as borrowers entered into an entrusted loan agreement with 平安大華匯通財富管理有限公司 ("PinganDahua") whereby an entrusted loan in the aggregate amount of RMB1.3 billion was granted, originally repayable by August 31, 2018 and extended verbally to October 15, 2018. Since then, the above parties have been in negotiations on new repayment arrangements. PinganDahua, without notice to Shanghai Jingan and Shanghai Minhang, made an application to the notary office for an execution certificate at the end of December 2018 and filed an application for enforcement with the High Court of Shanghai.

   The Company has consulted with and obtained independent legal advice from PRC legal counsel, which is of the view that, given the actions of PinganDahua are misleading and constitute misconduct on its part, it is unlikely to cause any significant losses to the Group. Based on the aforesaid and according to the relevant information available as at the date of this report, the abovementioned is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

2) On November 9, 2016, Shanghai Jingan as borrower entered into an entrusted loan agreement (the Lujiazui Entrusted Loan Agreement") with 陸家嘴國際信託有限公司 ("Lujiazui") whereby an entrusted loan in the total aggregate amount of RMB1.3 billion was granted. Three tranches of loan will be due on May 23, 2019, June 6, 2019 and June 15, 2019. Pursuant to the Lujiazui Entrusted Loan Agreement, Shanghai Jingan was required to pay a deposit of RMB124 million to Lujiazui by December 15, 2018, failing which Lujiazui can demand the immediate repayment of the total loan together with liquidated charges and interest. The full RMB124 million was not paid by due date and since December 4, 2018, Shanghai Jingan and Lujiazui have been in discussion to make a partial prepayment of the loan principal by utilising proceeds from sale of certain residential properties which have been charged to Lujiazui as security for the loan. Without notice to Shanghai Jingan, Lujiazui filed a civil claim claiming the amount of RMB1.24 billion against Shanghai Jingan with the High Court of Shanghai on December 20, 2018.

   The Company has consulted with and obtained independent legal advice from PRC legal counsel, which is of the opinion that given Shanghai Jingan has been acting in compliance with the terms of the Lujiazui Entrusted Loan Agreement, there is no breach of contract, and therefore the claim is unlikely to cause any significant losses to the Group. Based on the aforesaid and according to the relevant information available as at the date of this report, the abovementioned incident is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

3) On September 27, 2017, Shanghai Jingan as a borrower entered into an entrusted loan agreement (the "JIC Trust Entrusted Loan Agreement") with 中建投信託股份有限公司 ("JIC Trust") whereby an entrusted loan in the aggregate amount of RMB1.2 billion was granted in twelve tranches. The loan tenure for each tranche is 24 months and will be due from October 13, 2019 to December 29, 2019 (the "Loan Term"). Pursuant to the JIC Trust Entrusted Loan Agreement, the lender has the right to demand immediate repayment of the loan if the lender has doubt over the borrower's financial ability to repay the loan. On February 14, 2019, Shanghai Jingan received a notice from JIC Trust informing that the JIC Trust Entrusted Loan Agreement would be terminated on February 18, 2019 and the loan would be due on the same day. As the Loan Term has not yet expired, Shanghai Jingan did not repay the loan as demanded. On February 22, 2019, JIC Trust filed a civil claim against Shanghai Jingan and the Company declaring the termination of the JIC Trust Entrusted Loan Agreement and the loan due. The amount of claim is RMB1,452.35 million.

   The Company has consulted with and obtained independent legal advice from PRC legal counsel, which is of the opinion that given the loan has yet been due, the claim is unlikely to cause any significant losses to the Group. Based on the aforesaid and according to the relevant information available as at the date of this report, the abovementioned incident is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2018, the Group had 375 employees (2017: 346 employees) in Hong Kong and the PRC. The related employees' cost for the year amounted to approximately RMB31 million (2017: RMB31 million). The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry and prevailing market conditions. In addition, share options may be granted from time to time in accordance with the terms of the Group's approved share option scheme to provide incentives and rewards to the employees.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Wang Shih Chang, George, aged 85
Dr. Wang is the Chairman of our Board and has been with the Group since 1992. He is the Chairman of the nomination committee and the member of the remuneration committee of the Company. Dr. Wang is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Managing Director. Dr. Wang has extensive experience in property development and management in the PRC. Prior to joining the Group, Dr. Wang served as a vice president of various companies owned by or associated with Bechtel Group, Inc. from 1962 to 1984 and Fluor Corporation from 1984 to 1986. Bechtel and Fluor are construction and project management companies in the United States of America. Dr. Wang has many years of experience in the operation and management of global conglomerates. He obtained a Master Degree in Civil Engineering and Nuclear Engineering from the University of Michigan and a Ph.D. Degree in Engineering from the University of California, Los Angeles. He is the brother of Mr. Wong Sai Chung, the Managing Director of the Company. Dr. Wang also serves as a director of U.S. Concord (Holding) Limited and Pacific Concord Holding Limited ("PCH") (de-listed).

Wong Sai Chung (汪世忠), aged 69
Mr. Wong is the Managing Director of the Company, and has been with the Group since 1992. Mr. Wong is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Chairman, and has overall responsibility for the Group's policy and management. Mr. Wong has over 20 years of experience in property development and management in the PRC, and has extensive experience in identifying and acquiring precious sizable lands and developing the land into highly marketable properties in top-tier cities in the PRC. Throughout the years, Mr. Wong has established strong and solid connections and contacts in the property industry in the PRC. Mr. Wong founded the PCH Group in March 1982 and has served as the Chairman of PCH Group since its establishment. He is the brother of Dr. Wang Shih Chang, George, the Chairman of the Board. Mr. Wong also serves as a director of U.S. Concord (Holding) Limited and PCH (de-listed). In 1996, he was appointed as the executive director of Concord Land Development Company Limited (de-listed).

Xu Li Chang (徐禮昌), aged 79
Mr. Xu is an Executive Director of the Company. Mr. Xu has been responsible for the project management since joining the Group in September 1998. He pursued his studies at the University of Chongqing (重慶大學) (formerly The Chongqing Institute of Civil Engineering and Architecture) (重慶建築工程學院) and qualified as a senior engineer in the PRC. Mr. Xu was appointed the officer-in-charge of the Neijiang City Municipal Foreign Economic and Technological Co-operation Office in the PRC in 1987. Mr. Xu also worked as the vice general manager at a well-known property development company in 1997 and was responsible for the overall management of the construction projects of that company.

Non-executive Director

Kwan Kai Cheong (關啟昌), aged 69
Mr. Kwan is a Non-executive Director of the Company and has joined the Group for more than ten years. He is also a Director of HK Electric. He is President of Morrison & Company Limited, a business consultancy firm. Mr. Kwan is also the chairman of the board of Utopa Limited, a commercial property company in the People's Republic of China. Mr. Kwan worked for Merrill Lynch & Co., Inc. for over 10 years during the period from 1982 to 1993, with his last position as President for its Asia Pacific region. He was formerly Joint Managing Director of Pacific Concord Holding Limited. Mr. Kwan is an Independent Non-executive Director of Greenland Hong Kong Holdings Limited, Henderson Sunlight Asset Management Limited (as manager of Sunlight Real Estate Investment Trust), United Photovoltaics Group Limited, Win Hanverky Holdings Limited and CK Life Sciences, all being listed companies (except Sunlight Real Estate Investment Trust being a listed real estate investment trust). He was previously an Independent Non-executive Director of Galaxy Resources Limited, a listed company. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree and is a fellow of the HKICPA, The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Directors Limited. He completed the Stanford Executive Program in 1992.

Independent Non-executive Directors

Warren Talbot Beckwith, aged 79
Mr. Beckwith was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the Chairman of the audit committee and the member of the nomination committee of the Company. Mr. Beckwith has business management experience in Australia, London and Hong Kong in various industries, including mining, petroleum, property and technology development. Mr. Beckwith is a Fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants, the Australian Institute of Company Directors and the Taxation Institute of Australia. In the past, Mr. Beckwith held directorships and executive positions in public companies listed on stock exchanges in Australia and Hong Kong. Mr. Beckwith formerly served as an independent non-executive director on each of the boards of the then listed Pacific Concord Holding Limited and Concord Land Development Company Limited, both property development companies. Mr. Beckwith was a director and shareholder of Avon Real Estate Pty Ltd., a property development company, and he was also a director of Sentinel Investments Pty Ltd, an Australian-based property development company. He is currently the chairman of Westralian Group Pty Ltd., a Western Australian investment company and corporate financial advisor, is a non-executive director of Brockman Mining Limited, a mining company listed in Hong Kong and Australia, and is non-executive chairman of Gondwana Resources Limited, an Australian-listed mining company.

Luk Koon Hoo (陸觀豪), aged 67
Mr. Luk was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the remuneration committee of the Company. Mr. Luk is a retired banker, and served Hang Seng Bank Limited from 1975 as a trainee officer and as a director and deputy chief executive in 1994. He was re-designated as managing director in 1996 and retired from Hang Seng Bank Limited in May 2005. Mr. Luk is currently an independent non-executive director of Computime Group Limited, Hung Hing Printing Group Limited and i-Cable Communications Limited, shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Wheelock Properties Limited and Octopus Holdings Limited, an non-executive director of Wharf T & T Limited and AXA General Insurance Hong Kong Limited. In public duties, Mr. Luk serves as a council member and treasurer of the Chinese University of Hong Kong, a member of Town Planning Board, a member of Witness Protection Review Board Panel and a non-official member of the Operations Review Committee of ICAC. Mr. Luk was born and educated in Hong Kong. He holds a Bachelor of Social Sciences Degree in Statistics from the University of Hong Kong and a Master Degree in Business Administration from the Chinese University of Hong Kong. He is a Fellow of the Hong Kong Institute of Bankers and the Hong Kong Institute of Directors. Mr. Luk is a Non-official Justice of the Peace.

Garry Alides Willinge, aged 69
Dr. Willinge was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is a member of the audit committee and Chairman of the remuneration committee of the Company.

He is a Fellow of the Australian Institute of Company Directors (AICD) and the Hong Kong Institute of Directors. He chairs the AICD Executive Committee in Hong Kong. He is an experienced company director in public listed, unlisted and not for profit companies in Australia, London and Hong Kong for over 13 years. He graduated with a Bachelor Degree in Science from the University of Melbourne and then attained a Graduate Diploma in Applied Finance and Investment from the Securities Institute Education in Australia (known as "The Securities Institute of Australia") in 1995 and a Graduate Diploma Company Director from the University of New England in 1992. He also attended the INSEAD Asia International Executive Programme in 2004.

Mr. Willinge had served as director, Global Services, of IBM China/Hong Kong Limited until January 2005. He previously held management positions in a number of IBM Asia Pacific and European business units, including director of New Business Ventures of the Asia Pacific, where he was responsible for forging alliances and joint ventures across Asia in order to expand IBM's services business portfolio. He was a director, Information Technology, for the Sydney Olympic Games 2000. He was assigned to the West Australian Premier in 1990, where he led the Office of Public Sector Management, which focused on leading public sector reform and developing CEO leadership within the sector.

He also serves as an Adjunct Professor of Business Studies at Curtin University in Australia. He received the Honorary Degree of Doctor of Technology from Curtin University in February 2014.

Cheng Chaun Kwan, Michael (鄭燦焜), aged 88
Mr. Cheng was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the nomination committee of the Company. Mr. Cheng is a retired property investment and development, corporate finance and accounting consultant. Mr. Cheng was the executive director of Sino Land Company Ltd., a company of which shares are listed on the Main Board of the Hong Kong Stock Exchange in 1987 and retired as director at the end of 1998. Prior to that, Mr. Cheng was the executive director of Henderson Investment Ltd., (formerly Wing Tai Development Co. Ltd.), a company of which shares are also listed on the Main Board of the Hong Kong Stock Exchange, for the period from 1981 to 1987. Mr. Cheng was the chief executive responsible for the listing of Sino Hotels (Holdings) Limited in 1995 on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng is a Fellow of the Association of Chartered Certified Accountants in the U.K.

The Executive Directors of the Company are also the Senior Management of the Group.

The Board of Directors (the "Board") and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management, a healthy corporate culture, a successful business growth, balancing of business risk and enhancing of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

Throughout 2018 and up to the date of this report, the Company has fully complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

THE BOARD

Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises eight members with three executive directors, one non-executive director and four independent non-executive directors (the "INEDs"). It is the policy of the Company to compose majority of the Board by INEDs, the Board at all times meets the requirements of the Listing Rules relating to appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

The relationship among members of the Board and the biographies of the directors were disclosed under the "Directors' and Senior Management's Profile" section of the 2018 Annual Report.

The Company has appointed a Managing Director who performs similar functions as a chief executive officer. The position of the Chairman and Managing Director are held by two different persons in order to maintain an effective segregation of duties, independence and a balanced judgment of views. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He has the executive responsibilities over the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

The Independent Non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance and business. Their skills, expertise and number in the Board ensure that strong independent views and judgement are brought in the Board's deliberations and that such views and judgement carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company.

The Company annually assesses the independence of each Independent Non-executive Director during their terms of appointment. The Company has received from each of the Independent Non-executive Directors a written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent during the year and up to the date of this report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All directors (including non-executive director) of the Company are currently appointed with specific terms for 2 years commencing from February 23, 2019, which are also subject to retirement in accordance with the articles of association of the Company ("Articles"). According to the Articles, 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 greater than one-third) shall retire from office by rotation.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of INEDs.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirement and regulations.

In accordance with the Articles, Mr. Wong Sai Chung, Mr. Warren Talbot Beckwith and Mr. Cheng Chaun Kwan, Michael will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company's circular contains detailed information of the directors standing for re-election.

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of a diverse Board with a balance of skills, experience and diversity of perspectives to enhance the quality of its performance. All Board appointments will be considered against selection criteria.

The Company seeks to achieve board diversity through the consideration of a range of diversity perspectives in the Board members' selection process, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review and monitor the implementation of the Board Diversity Policy, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

TRAINING AND CONTINUING DEVELOPMENT OF DIRECTORS

The Chairman has assessed the development needs of the Board as a whole, with a view to build its effectiveness as a team and to assist in the development of individual skills, knowledge and expertise.

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

BOARD MEETINGS

The Board aims to meet in person or by means of electronic communication, at least 4 times a year, if necessary, as well as on an ad hoc basis. The individual attendance record of each director at the meetings of the Board, Audit Committee, Remuneration Committees and Nomination Committee during the year ended December 31, 2018 is set out below.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board paper together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the management whenever necessary.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors and members of committees for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Upon reasonable request, the Company should provide separate independent professional advice to directors to assist them to discharge their duties in the appropriate circumstance.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affair. The Board committees of the Company are established with defined written terms of reference. The majority of the members of the Board committees are INEDs and the list of the chairman and members of each Board committees are set out under "Corporate Information" in the 2018 Annual Report.

Meeting attendance during the year ended December 31, 2018 is as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Dr. Wang Shih Chang, George	4/4	N/A	1/2	1/2
Mr. Wong Sai Chung	3/4	N/A	N/A	N/A
Mr. Xu Li Chang	2/4	N/A	N/A	N/A
Mr. Kwan Kai Cheong	4/4	2/2	N/A	N/A
Mr. Warren Talbot Beckwith	4/4	2/2	N/A	2/2
Mr. Cheng Chaun Kwan, Michael	4/4	2/2	N/A	2/2
Mr. Luk Koon Hoo	4/4	2/2	2/2	N/A
Dr. Garry Alides Willinge	4/4	2/2	2/2	N/A

Pursuant to code provision A.2.7 of the CG Code, the Chairman should hold meetings with Independent Non-executive Directors without the presence of other Directors at least annually. The Company held one meeting on 26 March 2019 in accordance with the CG Code.

The Audit Committee

Composition of the Audit Committee
Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

The Company established an Audit Committee comprising 4 INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Warren Talbot Beckwith, who possesses a professional accounting qualification and relevant accounting experience, is the Chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the Company's financial statements and report, and to consider any significant or unusual items raised by the corporate accounting department or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, the fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system (including anti-fraud) and risk management system and associated procedures.

During the year ended December 31, 2018, the Audit Committee met twice to review the financial results and reports (including continuing connected transactions), financial reporting (including cash flow forecast) and compliance procedures, to review the effectiveness based on report on the Company's internal control and risk management review and processes and the re-appointment of the external auditor. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of external auditor.

The Company's annual results and continuing connected transactions for the year ended December 31, 2018 have been reviewed by the Audit Committee.

The Remuneration Committee

Composition of the Remuneration Committee
Dr. Garry Alides Willinge *(Chairman)*
Dr. Wang Shih Chang, George
Mr. Luk Koon Hoo

The Company established a Remuneration Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Garry Willinge is the Chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include the following:

(a) To make recommendation to the Board on the policy and structure for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

(b) To determine, review and approve the specific remuneration packages of all executive directors and make recommendations to the Board of the remuneration of non-executive directors, taking into account those factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere and desirability of performance-based remuneration.

(c) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year ended December 31, 2018 and up to the date of this report, the Remuneration Committee met on March 29, 2019 and August 29, 2018 to review the existing terms of reference for the Remuneration Committee and compensation arrangements relating to dismissal or removal of directors for misconduct.

The remuneration of the directors for the year ended December 31, 2018 was set out in note 10 to the consolidated financial statements.

The Nomination Committee

Composition of the Nomination Committee
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Mr. Cheng Chuan Kwan, Michael

The Company established a Nomination Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Wang Shih Chang, George is the Chairman of the Nomination Committee.

The main duties of the Nomination Committee include the following:

(a) To formulate the policy for the nomination of directors in compliance with the requirements of the Listing Rules including but not limited to the following for consideration by the Board and implement the nomination policy laid down by the Board:

  (i) all directors shall be subject to re-election at regular intervals as set out in the articles of association of the Company (as amended from time to time);

  (ii) the Company must comply with the disclosure requirements in relation to the appointment, resignation or removal of directors under the Listing Rules;

  (iii) non-executive directors should be appointed for a specific term, subject to re-election and the term of appointment of the non-executive directors must be disclosed in the Corporate Governance Report under the Listing Rules;

  (iv) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

During the year ended December 31, 2018 and up to the date of this report, the Nomination Committee met on March 29, 2019 and August 29, 2018 to review the structure, size and composition of the board of directors and the INEDs.

Nomination Policy

The Company has adopted a Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;

(8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognizes the need for an additional Director or a member of senior management, the following procedure will be followed:

(1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

(4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The obligation to follow the Listing Rules is set out in the terms of the service contracts of each executive director and the letters of appointment of the non-executive directors and each INED.

The directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in Model Code during the year ended December 31, 2018 and up to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness, while Management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. The system is designed to mitigate 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.

During the year ended December 31, 2018, the Company has identified, evaluated and managed risks via the following process:

- reviewing the organizational and strategic objectives;
- assessing the risk management philosophy to determine the risk tolerant level of the Group; and
- performing an entity-level risk assessment.

The Group adopted the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as specified in Appendix 10 of the Listing Rules (Model Code) and received confirmation from all directors that they have complied with the Model Code throughout the period under review.

Risk Management and Internal Control Systems Review

The management team of the Company meets regularly to review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the year ended December 31, 2018. The review is designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed. The risk management system:

- promotes consistent risk identification, measurement, reporting and mitigation;
- sets a common risk language to avoid any conflicting terminology or confusion in risk reporting;
- consists of risk management and internal control policies that are aligned with the business strategy; and
- enhances reporting to provide transparency of risks across the Group.

During the review, the Company conducted the following procedures:

- interviewing department heads and management to identify the risks over the Company business units;
- quantifying risks by financial data and market searches; and
- prioritizing the identified risks as high, medium and low risk.

The Company will perform ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

Internal Audit Function

During the year ended December 31, 2018, the Company has appointed an internal control advisor (the "IC Advisor") to perform internal audit function for the Group. The IC Advisor reported to the Audit Committee and communicated to the Company's management. Based on the agreed internal audit plan, the IC Advisor conducted the internal audit review scope during the year ended December 31, 2018. The IC Advisor reported and communicated the internal audit findings and recommendations to the Audit Committee and the management of the Group respectively. The management of the Group agreed on the internal audit findings and planned to adopt the recommendations from the IC Advisor accordingly.

With regards to the internal controls and procedures for the handling and dissemination of inside information, the Group complies with under the Part XIVA and relevant parts of the Securities and Future Ordinances and Listing Rules.

Management's report on risk management

Based on the risk management mechanism and internal audit review activities mentioned in the aforementioned paragraphs, the management of the Group had reported to the Board that the Group had maintained an effective risk management mechanism and internal control system during the year ended December 31, 2018.

MANAGEMENT FUNCTION

The management team of the Company meets regularly to review and discuss with the executive directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2018.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 54 to 59.

There is a material uncertainty relating to the outcomes of the events or conditions as disclosed in note 1 to the consolidated financial statements that may cast significant doubt on the Company's ability to continue as a going concern.

The remuneration paid and payable to the external auditor of the Group in respect of audit services and non-audit services for the year ended December 31, 2018 are set out below:

	Year ended December 31, 2018
	RMB'000
Services rendered	
— Audit services	2,223
— Non-audit services	—
	2,223

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders are contained in the Company's Articles. Details of the poll procedures will be explained to shareholders during the proceedings of any general meetings, if necessary.

Poll results are published on the websites of the Stock Exchange and the Company before the designated time on any business day following the meeting in accordance with the Listing Rules.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board (also chairman of the Nomination Committee for the time being) as well as chairmen of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, will be available to answer questions at the shareholders' meetings.

Any enquiries by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong.

OTHERS

Annual Confirmation from Mr. Wong Sai Chung

The Board received a confirmation from Mr. Wong Sai Chung ("Mr. Wong") that during the year ended December 31, 2018 and up to the date of this report, Mr. Wong has complied with the non-compete undertaking as set out in the Prospectus.

New Business Opportunities

During the year ended December 31, 2018 and up to the date of this report, there have been no new business opportunities which are required to be referred to the INEDs under the deed of undertaking dated February 8, 2007 entered into between Mr. Wong and the Company.

Properties under the Beijing Concord Option and the General Option (collectively the "Options")

During the year ended December 31, 2018 and up to the date of this report, no options for the acquisition of the properties under the Beijing Concord Option and the General Option are exercised. The INEDs have considered the respective status of the Beijing Concord Option and the General Option and decided that it is not the appropriate time for the Company to exercise these options. Details of the Options are set out in the prospectus dated February 9, 2007 issued by the Company.

The Beijing Cannes Option previously granted by Mr. Wong had automatically lapsed in accordance with the terms of the Option Agreement as Mr. Wong had ceased to be interested in the Beijing Cannes site. Please refer to the Company's announcement dated February 7, 2013 for further details.

The General Option in respect of the Zhuhai Property previously granted by Mr. Wong had automatically lapsed in accordance with the terms of the Option Agreement as Mr. Wong had ceased to be interested in the Zhuhai Property. Please refer to the Company's announcement dated September 21, 2011 for further details.

First Right of Refusal for the Properties under Options

During the year ended December 31, 2018 and up to the date of this report, the Company is entitled to the first right of refusal for the properties under Options.

Dividend Policy

The Company has adopted a Dividend Policy that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(3) retained earnings and distributable reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

(5) interest of shareholder;

(6) Taxation consideration;

(7) potential effect on creditworthiness;

(8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a property developer with the business focusing on high quality, large-scale residential and commercial property development projects in major cities in China, China Properties Group Limited and its subsidiaries (hereafter "We", "CPG", the "Group") recognise that it is crucial to integrate the sustainability principles into the business operations and create mutual benefits and values to the environment, community and the stakeholders relevant to the Group.

We are pleased to present our third environmental, social and governance ("ESG") report and communicate our ESG management practices and performance with our stakeholders. This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide under the Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited ("HKEx ESG Reporting Guide"), covering the period from 1 January 2018 to 31 December 2018 ("the Reporting Period", "2018"). The reporting scope[1] covers our core business activities — property development and property management in Shanghai and Chongqing, China, including the following key subsidiaries:

- 上海閔行協和房地產經營有限公司 (Shanghai Minhang Concord Property Development Co., Ltd.)
- 上海靜安協和房地產有限公司 (Shanghai Jingan-Concord Real Estate Co., Ltd.)
- 上海盈多利物業管理有限公司 (Shanghai Yingduoli Property Management Co., Ltd.)
- 重慶茵威房地產有限公司 (Chongqing Ace Blossom Real Estate Co., Ltd.)
- 重慶兩江房地產有限公司 (Chongqing Yangtze-Jialing River Real Estate Co., Ltd.)
- 重慶半山一號房地產有限公司 (Chongqing Mid-Levels No. 1 Real Estate Co., Ltd.)
- 重慶山頂一號房地產有限公司 (Chongqing Peak No. 1 Real Estate Co., Ltd.)
- 重慶江灣房地產有限公司 (Chongqing Riverside Real Estate Co., Ltd.)
- 重慶正天投資有限公司 (Chongqing Zhengtian Investment Ltd.)
- 重慶盈多利物業管理有限公司 (Chongqing Yingduoli Property Management Co., Ltd.)

We welcome your valued suggestions on our ESG report. For any feedback on our ESG report, please email us at esg@cpg-group.com.

[1] In 2018, one subsidiary is added to the reporting scope, namely, Chongqing Yingduoli Property Management Co., Ltd. in operating the property management services, which is considered material to the Group's business.

OUR WORKPLACE

We rely on our employees to execute the Group's missions, and bring out our Group's core values every day. The performance, success and growth of our employees mean the same for the business of the Group. To realise their potentials, we strive to create a pleasant, safe, motivated and respectful workplace for our employees, and support their continuous growth and development.

Employment

Under our Human Resources Policy and Management Procedure, we offer attractive remuneration and benefit package to our employees, including the base salary, fixed working hours, holidays and annual leaves, rest days and social insurance, complying with the applicable labour laws and regulations (e.g. the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and Social Insurance Law of the People's Republic of China etc.). Our staff are also entitled to the additional leaves such as marriage leaves and maternity leaves, and benefits such as allowances and commissions. We have a performance-based award system in place with the aim of motivating our staff at work. We review the performance of each of the employees on a monthly and yearly basis, and they are subject to monetary incentives including special bonus based on their individual performance.

CPG has its commitment on the principle of openness, diversity, equal opportunity and anti-discrimination. Guidelines for the selection of the most suitable candidates during the recruitment, job rotation and promotion process, which are merely based on their qualifications, experience and individual performance in the interviews, are stipulated in our Human Resources Policy and Management Procedure. To maintain the mutual respect between management, subordinates, and co-workers, we have outlined the required behaviours and conducts under the employee handbook for our employees to follow, strictly prohibiting any form of harassment and victimisation in our workplace and our projects sites.

We aim to maintain an open communication between our staff and his/her supervisors. This can enable our employees to voice out their concerns or recommendations regarding the current situation of their work. When such communication is received, we will promptly follow up and take necessary actions where appropriate to maintain a cohesive and inclusive working environment.

With the protection of the human rights, we strictly forbidden the employment of child labour and forced labour in our operation. We have taken measures such as conducting identity checks and job eligibility checks of the candidates upon the employment to ensure no use of child labour, forced labour and/or bonded labour. All the employment conditions are clearly stated in the employment contract with employees' voluntary agreement before reporting duty.

During the Reporting Period, the Group did not identify any breaches of the applicable laws and regulations relating to employment practices and the use of child labour and forced labour.

Training & Development

CPG understands that investing in the employee development is one of the important factors to maintain our competitive edge in the property development industry, sustain the continual growth of our business as well as enhancing the job satisfaction of our people.

Through the implementation of the "Training Management Policy and Procedure", we identify the training needs of our employees based on their different position levels and special requirements on discharging their job duty and design annual training programmes for our employees, to ensure they receive proper training and equip with the latest knowledge, techniques and legislative requirements of the property development industry accordingly. Our training programmes are mainly divided into three categories: 1) orientation training, 2) internal training and 3) external training. Our orientation training introduce the Group's business profile and corporate culture, business ethics, job responsibilities and obligations to the new hirers, with the objective to assist them to adapt in the new working environment swiftly. A wide spectrum of internal training courses are organised periodically to further promote the staff development on the technical aspects such as procurement control management, post management of project design and construction work supervision. Moreover, eligible employees can attend seminars, site visits and professional training programmes organised by external professional institutions. After training, regular reviews are being conducted to evaluate the effectiveness and suitability of those training in order to make adjustment or improvement for future training opportunities where necessary. We also actively encourage our people to advance their job skills by self-directed learning during their spare time.

Health & Safety

It is our primary responsibility to provide a healthy and safe working environment for our employees. Guided by our "Occupational Health Management Procedure" and "Office Environment Management Standard", we have taken different measures and practices, including the adoption of office security system, electricity safety and maintenance, good housekeeping and provision of personal protective equipment, to minimise the potential safety risks, prevent work-related injuries in our daily operations, as well as complying with the applicable laws and regulations such as the Work Safety Law of the People's Republic of China and Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. To cultivate a safety conscious workplace, we regularly conduct safety training and drills such as fire drills to our employees in order to enhance their safety awareness and competency in dealing with the emergencies.

We realise that our main contractors also play a key role in maintaining the safety in our construction site. We have a set of construction safety management guideline in place, in which clearly outlined the roles and responsibilities of the contractors and the corresponding regulations in construction safety management. For instance, we require all our main contractors must conduct relevant safety risks assessment and implement engineering controls and/or safety control measures to avoid, minimise and mitigate the safety risks posed to the workers, particularly specialised works such as machines operation, working at height, electricity work and welding. In addition, our contractors must provide safety induction training to the workers prior to work, and organise safety refresher training periodically in order to increase their safety awareness at work sites. Only qualified workers can perform the specialised works in construction sites.

Furthermore, we request our main contractors to maintain good site housekeeping, and carry out daily site inspection to continuously evaluate the on-site potential safety hazards posed to worker as well as checking if the safety control measures are well maintained. We also conduct site audit regularly to ensure the contractors are complying with all the safety laws and regulations as well as the contract requirements. In the event of an accident, the main contractor in the construction site is requested to follow the "Emergency Response Procedure" and report the case to our safety working team. Subsequently, an accident investigation will be conducted, in order to find out the root causes of the accident and take remedial actions where appropriate.

During the Reporting Period, the Group did not identify any breaches of the applicable laws and regulations relating to occupational health and safety.

BUSINESS INTEGRITY

CPG firmly believes that business integrity is the foundation of business sustainability. We strictly prohibit any bribery and corruption practices in different stages of property development (e.g. tendering and contractor selection process, materials inspections and test and commission process), as well as maintaining fair competitions in the industry.

We have established the "Anti-corruption Management Procedure" with the guidelines of the required behaviours and conducts in our business dealings, including but not limited to financial management, contract and procurement management and quality assurance management in the property development projects, aiming to ensure our staff upholds the highest level of honesty, fairness and professionalism throughout our daily operations and comply with the relevant laws and regulations such as the Criminal Law of the People's Republic of China. For instance, we prohibit all employees to receive any advantages such as gifts, commission and entertainment from our business partners and customers, or abuse of power for the own benefits. Relevant training is provided to all employees to make sure that they fully understand their responsibilities and obligations and to enable them to perform professionally and ethically in the business operations. Employees who counter the regulations stipulated in the Anti-corruption Management Procedure are subjected to the disciplinary actions, including the termination of employment. In addition, we also encourage our employees and business partners to report any possible malpractice and misconduct in good faith. Where necessary, we will report the case to relevant regulatory authorities when offences are committed.

Furthermore, to safeguard the Group's interests, customer privacy and intellectual rights, we have set up the confidentiality committee with the function of information confidentiality management monitoring and the handling of information leaks if any. We require all employees to strictly follow the provisions of information confidentiality set out in our employee handbook when coping with the confidential information (e.g. trade secrets, contracts and price sensitive information) in our day-to-day business activities. Any copy, transfer and disclosure of such information without prior approval by the management or customers to unauthorised parties is strictly prohibited. Likewise, we request our suppliers and contractors to take their due care for information confidentiality protection under the terms and conditions of the service contracts to avoid information leakage.

During the Reporting Period, the Group did not identify any breaches of the applicable laws and regulations relating to customer privacy, bribery, extortion, fraud and money laundering.

PRODUCT RESPONSIBILITIES

We strive to gain our customers' trust and satisfaction by delivering safe properties with good quality and premier property management services. To achieve these, we have implemented various management systems and measures to manage our supply chain, safeguard the quality and safety of the properties developed, and our property management services to our customers.

Managing Our Suppliers

In our property development and property management business activities, we need to closely collaborate with a wide range of suppliers, contractors and service providers in order to execute and support our daily operations. Hence, it is crucial to select our business partners carefully to provide expected services, and to maintain the required products and services quality.

We have a strict management procedure in place in supplier selection and management. The potential new suppliers are requested to undertake a qualification assessment before they can be qualified as our suppliers. The assessment includes a documentation review and on-site inspection. A potential supplier needs to fill in a pre-qualification assessment form to ensure all supplied materials are nationally qualified and meet the required industry standards. After that, business reference check and assessment on the potential suppliers will be conducted by our procurement team, to verify and evaluate the qualification, capability of the suppliers in delivering quality products and/or services and integrity. After successfully meeting all the specified requirements, the suppliers can then be qualified as our approved suppliers.

Likewise, we have a standardised tendering management approach in place to select suitable tenderers for the construction projects, our tendering team carries out the qualification assessment to the potential contractors before they are registered as our on-list approved contractors for project tendering. To obtain desirable tendering results and to minimise disputes during execution of contract requirements, we only invite on-list qualified contractors to compete for our projects. In addition, to maintain a fair and open competition in the project bidding, we clearly include all our requirements, terms and conditions, specifications and requested document list in the tendering documents and distribute to the whole set of documents to all the invited tenderers, to make sure they fully understand the project nature and scope, contract requirements and other construction work requirements before their submissions.

In order to make a fair and equitable tendering decision, according to the "Tendering and Contract Management Procedure", our dedicated technical team carries out technical review on the received tendering documents. Apart from taking merits into account contained in the cost plan and technical capabilities, the health, safety an environment ("HSE") management in the construction sites is the other criteria we pay attention to, with the aim to minimise environmental and social impacts arising from our construction works. Based on the results of the technical evaluations, we select the best candidate who can offer a desirable project price and simultaneously fulfil our technical and HSE requirements for the development project.

Similarly, to prevent any corruption and bribery occurred in our business operations, we require our business partners to uphold the highest degree of business ethics and integrity in our business dealings, and strictly prohibit them to provide any benefits such as gifts, commission and entertainment to our staff in order to obtain any own advantages.

Safeguarding Our Customers

Property Development

Following our "Project Management Procedure", our dedicated project management team manages the overall performance of our development project life cycle, from the pre-construction, construction stage and post-construction stage in order to maintain the quality and safety of our every project.

At the pre-construction stage, we require our engaged contractors to submit detailed construction project management plans with respect of budget control, construction schedule and milestone, construction method statements and/or drawings to our project management team for approval prior to starting the construction works. This is to make sure the proposed building works are complied with relevant laws and regulations such as Construction Law of the People's Republic of China, other industry standards and contract requirements. Regarding materials use and its selection, especially for the crucial construction materials and building services equipment, contractors are required to submit a list of selected supplier(s), relevant products specification, sample products and/or certificates of compliance and assessment reports for review and approval. Our engineering and quality assurance teams under the project management team will then conduct an on-site inspection with the selected suppliers and assess the quality of the products before mass purchasing. When the materials are supplied and delivered at the construction site, our engineering and quality assurance teams, together with the contractors, will carry out material sampling inspections and acceptance checks to verify the types and quality of building materials that had satisfied the relevant quality and safety requirements and industry standards.

During the construction stage, our engineering team works closely with the main contractors and supervise the whole construction progress through regular site meetings and on-site inspections, to ensure the structural works are built in accordance with the approved drawings and method statements, and rectify the discovered engineering and quality issues at the earliest stage. Once the construction is completed, apart from the self-inspections by our contractors, our engineering team and quality assurance teams will carry out the completion acceptance inspections on the finished works in accordance with a series of agreed standards listed on the contract. We also offer a defect warranty period for our properties on various items. With a period of two to five years' warranty in general, we are committed to the satisfaction of our customers by providing properties of good quality in various aspects. We aim to protect and fulfil our product responsibilities and ensure maximum customer satisfaction.

Regarding the sales of our properties, we strictly follow the requirements of the applicable laws and regulations such as Advertising Law of the People's Republic of China and Regulatory Measures on the Sale of Commercial Houses when designing our advertisements and sales promotion brochures, ensuring the information provided in the advertisements and brochures is accurate and transparent and are not misleading the customers, hence safeguarding the interests and legitimate rights of the customers.

Property Management

We have established a set of property management regulations in order to provide quality property management services and maintain the security of our managed buildings. We have installed security systems and arranged daily patrols to ensure the safety of our residents and tenants and preventing crimes. Our managed properties are all equipped with fire services facilities and we carry out regular maintenance of such facilities to make sure they are in good conditions in use. We have developed various standardised guidelines for our staff to follow and in response to the crisis scenarios such as power blackout, water and gas supply failure. In the meantime, to enhance our residents or tenants' awareness of emergency preparedness and response such as fire and flooding hazards, we organise drills on a regular basis and promote crime prevention to minimise the impact caused during the time of crisis.

To understand our customers and tenants' needs and expectations and enhance their satisfaction, we pledge to handle, respond and resolve the customers' enquiries and complaints in a timely manner by following our complaint handling procedure. The records of complaints are documented and reviewed properly, so that we can effectively identify the areas for improvement and drive us to continuously deliver excellent property management services in the future.

During the Reporting Period, the Group did not identify any breaches of the applicable laws and regulations relating to the product health and safety, advertising relating to products and services provided and methods of redress.

OUR ENVIRONMENT

CPG is dedicated to incorporating the sustainability concepts into our development properties with an aim to harmonise with the environment, to reduce the environmental impact of buildings as well as enhancing the quality of life of our residents.

Harmonising With the Environment

Prior to construction work of our real-estate projects, we engage specialist environmental consultants to carry out a comprehensive environmental impact assessment on our proposed development projects. This practice enables us to carefully identify the nature and extent of environmental impact arising from the different stages of the projects (e.g. starting from the design stage, construction stage to the operational stage) and formulate corresponding mitigation measures to alleviate the negative impacts, apart from strictly abide by the relevant environmental laws and regulations such as The Environmental Protection Law of the PRC, The Law of the People's Republic of China on Appraising Environmental Impacts and Regulations on the Administration of Construction Project Environmental Protection.

During the project design stage, we proactively introduce green building designs and features in our properties. "Greening" and/or landscaping is one of the focused areas we work on in our property development projects. Greening helps not only reduce greenhouse gas ("GHG") as carbon sinks, but also mitigate heat island effect and enhance the comfort and elegance of the living environment to our residents. We continue to explore ways to increase the size of greenery areas such as having rooftop greening and vertical greening instead of implementing greening at available open areas at ground levels of our properties, with the objective to maximise the benefits brought from greening. Besides greening, we also adopted energy-efficient features, such as the use of external wall thermal insulation, building lighting control system with photo sensors or motion sensors in the structure of the building, and the architectural designs of the buildings are able to adopt the natural lighting and natural ventilation as much as possible to lower the energy consumption. By taking environmental considerations into account when procuring the construction materials, we aim to purchase materials with greater energy efficiency, higher durability and less toxicity. We also prioritise to procure materials with national green labels or on the governmental green products list. We have selected many kinds of energy-saving equipment, including high-efficient generators and air conditioners with low noise models, energy-saving transformers, LED or T5 fluorescent light fixtures, and water-efficient devices.

During the construction stage of our real-estate projects, it is inevitable to generate air emissions, wastewater and waste, and utilise natural resources which potentially induce the environmental nuisance and pollutions. Hence, we require our main contractors to make their every effort to prevent adverse impacts on the environment and to use the natural resource in an efficient way when carrying out the construction activities, apart from strictly complying with all the environmental laws and regulations when carrying out the construction activities. For instance, our main contractors should take engineering control to analyse the accurate amount of materials use in the construction process to avoid materials overstocking and wastage, while mitigation measures such as watering and enclosing dusty materials by impervious sheeting for dust suppression, using the powered mechanical equipment with low noise, wastewater treatment before discharge and reuse for vehicles wheel washing, and proper construction waste sorting, recycling and disposal, in managing the emissions, wastewater and waste generated in the construction process. Furthermore, our delegated project management team conducts regular site inspections to ensure the mitigation measures are effective to reduce the environmental pollutions at our construction sites.

In our property management, all domestic garbage, construction waste and waste light tubes and light bulbs produced in the buildings are temporarily placed at designated refuse storage location and consigned to the qualified waste collectors for further handling and disposal. In the meantime, our management team conduct regular maintenance on the building facilities (e.g. ventilation system, exhaust fans and pumping systems) to ensure no excessive noise and vibration pollution affected the surrounding neighbourhood.

During the Reporting Period, we did not identify any breaches of the applicable laws and regulations relating to air emission, wastewater discharge and waste disposal.

Our Environmental Performance

Since our operations involve the engagement of contractors to carry out our works, the disclosed information is mainly based on available environmental data that we are able to track. We will continue to collaborate with our contractors in order to collect further environmental data in future to further enhance the transparency and traceability of our environmental performance.

	China Properties Group Limited		
	Unit	**2018**(Note 1)	2017
Types of Resources Use(Note 2)			
Direct Energy			
— Unleaded Petrol for Mobile Combustion	Litre ("L")	**30,371.30**	33,249.52
— Diesel for Emergency Generator Operation(Note 3)	L	**1,200.00**	—
Total Energy(Note 4)	Gigajoule ("GJ")	**1,038.98**	1,089.99
Intensity	GJ per full-time employee	**3.57**	6.65
Indirect Energy			
— Electricity	Megawatt hour ("MWh")	**3,916.12**(Note 5)	4,883.11
Intensity	MWh per full-time employee	**13.69**	30.33
Water	m^3	**22,024.65**(Note 6)	193,937.36
Intensity	m^3 per full-time employee	**84.06**	2,731.52
Type of Waste(Note 7)			
Non-hazardous Waste			
— Construction Waste	Tonne	**35,864.00**	—
— Domestic Waste	Tonne	**12,480.00**	—
— Food Waste	Tonne	**16.80**	—
Hazardous Waste			
— Light Tubes and Light Bulbs	Pieces	**4,824.00**	—
Wastewater Discharge	m^3	**8,331.00**(Note 8)	139,752.00
GHG Emissions			
Direct Emission (Scope 1)(Note 9)	Tonne of carbon dioxide equivalent ("tCO_2e")	**75.76**	76.87
Indirect Emission (Scope 2)(Note 10)	tCO_2e	**3,687.99**	4,122.64
Other Indirect Emission (Scope 3)(Note 11)	tCO_2e	**15.50**	4.79
Total	tCO_2e	**3,779.25**	4,204.30
GHG Intensity			
Direct Emission (Scope 1)	tCO_2e per full-time employee	**0.26**	0.47
Indirect Emission (Scope 2)	tCO_2e per full-time employee	**12.90**	25.61
Other indirect Emission (Scope 3)	tCO_2e per full-time employee	**0.25**	0.44

Note 1: The coverage of energy, water, waste and greenhouse gas emissions in 2018 includes the offices of the subsidiaries, the residential properties managed by the Group and the property development projects with the billing system scoped under the subsidiaries, and excludes the Group's headquarters in Hong Kong, as the contribution to the environmental impacts of its operation is considered as insignificant compared to the Group's property development and property management business. Our intensity values are based on subsidiaries with available environmental data.

Note 2: Being not in the manufacturing industry, the amount of packaging material is considered insignificant as compared to the Group's property development and property management services business.

Note 3: The consumption of diesel is only used for the generator operation in the property managed by the Group's subsidiaries, namely, Chongqing Yingduoli Property Management Co., Ltd.

Note 4: The conversion factors from volumetric units of unleaded petrol and diesel oil consumption to energy units are in reference to CDP Technical note: Conversion of fuel data to MWh in 2018. The energy values of the unleaded petrol in FY2017 are recalculated based on the actual fuel consumption data.

Note 5: The total electricity consumption only includes the Group's subsidiaries, namely, Chongqing Ace Blossom Real Estate Co., Ltd., Chongqing Mid-Levels No. 1 Real Estate Co., Ltd., Chongqing Peak No. 1 Real Estate Co., Ltd., Chongqing Riverside Real Estate Co., Ltd., Chongqing Yingduoli Property Management Co., Ltd., Shanghai Yingduoli Property Management Co., Ltd., Shanghai Jingan-Concord Real Estate Co., Ltd. The consumption of other companies is not included as their electricity consumption were considered as insignificant or no separate bills were issued.

Note 6: The total water consumption in 2018 only includes the subsidiaries, namely, Chongqing Mid-Levels No. 1 Real Estate Co., Ltd., Chongqing Riverside Real Estate Co., Ltd., Chongqing Yingduoli Property Management Co., Ltd., Shanghai Jingan-Concord Real Estate Co., Ltd. and Shanghai Yingduoli Property Management Co., Ltd. The consumption of other companies is not included as their water consumption were considered as insignificant or no separate bills were issued. We did not have any water sourcing problem faced in the Reporting Period.

Note 7: The amount of generated non-hazardous waste and hazardous waste only includes the subsidiaries, namely, Shanghai Yingduoli Property Management Co., Ltd. and Chongqing Yingduoli Property Management Co., Ltd.

Note 8: The total wastewater discharge only includes the subsidiaries, namely, Chongqing Yingduoli Property Management Co., Ltd. The record of wastewater discharge of other subsidiaries is not available or no separate bills were issued.

Note 9: The direct emission (Scope 1) covers the emission from the stationary sources combustion, mobile sources combustion, and fugitive emissions from the use of refrigerants. The calculation is using the published emission factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories and the guidance worksheets of World Resources Institute's GHG Protocol Tool for Mobile Combustion and the GHG Protocol Tool for Stationary Combustion.

Note 10: The indirect emission (Scope 2) covers the emission from the purchased electricity from Power Company. The calculation is using the emission factors from 2015 Emission Factors for purchased electricity within Mainland China, published by Climate Change Info-Net.

Note 11: The other indirect emission (Scope 3) covers the emission from the business travel of employees only.

OUR COMMUNITY

As a socially responsible corporate, it is our responsibility to give back to the society where we operate. We aim to create social values to the local communities by exerting our influence on property development.

We recognise the preciousness of local historical buildings and cultural heritage as they witnessed the changes of times and the progress of the society. Regarding this, we strive to preserve the historical buildings and cultural heritage uniqueness when designing the properties. We emphasise the importance of maintaining a harmony with traditional buildings and the characteristics of the local society in our property design, aiming to retain the historical elements while the features and benefits of modern and traditional buildings can be coexisted in the local community.

In order to equally respect the needs of individuals, we aim to provide a barrier-free environment to people with physical disabilities in our properties, to encourage their connections with the community. Barrier-free access and facilities, thus, are another key elements in the design of our properties. Disabled friendly facilities (e.g. barrier-free entrance, wheelchair ramps, passenger lifts,) have been integrated with our design and constructed in our properties for easy access.

HKEX ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPI		Explanation/Reference Section
Aspect A Environmental		
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	OUR ENVIRONMENT — Harmonising With the Environment
KPI A1.1	The types of emissions and respective emissions data.	OUR ENVIRONMENT — Harmonising With the Environment
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	OUR ENVIRONMENT — Our Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	OUR ENVIRONMENT — Our Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	OUR ENVIRONMENT — Our Environmental Performance
KPI A1.5	Description of measures to mitigate emissions and results achieved.	OUR ENVIRONMENT — Harmonising With the Environment

HKEx ESG Reporting Guide General Disclosures & KPI		Explanation/Reference Section
Aspect A Environmental		
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	OUR ENVIRONMENT — Harmonising With the Environment
A2 Use of Resources	Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	OUR ENVIRONMENT — Harmonising With the Environment
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	OUR ENVIRONMENT — Our Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	OUR ENVIRONMENT — Our Environmental Performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	OUR ENVIRONMENT — Harmonising With the Environment
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	OUR ENVIRONMENT — Harmonising With the Environment
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	OUR ENVIRONMENT — Our Environmental Performance
A3 The Environment and Natural Resources	Policies on minimising the issuer’s significant impact on the environment and natural resources.	OUR ENVIRONMENT — Our Environmental Performance
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	OUR ENVIRONMENT — Our Environmental Performance

HKEx ESG Reporting Guide General Disclosures & KPI		Explanation/Reference Section
Aspect B Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	OUR WORKPLACE — Employment
B2 Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	OUR WORKPLACE — Health & Safety
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	OUR WORKPLACE — Training & Development
B4 Labour Standards	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.	OUR WORKPLACE — Employment
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	PRODUCT RESPONSIBILITY — Managing Our Suppliers

HKEx ESG Reporting Guide General Disclosures & KPI		Explanation/Reference Section
Aspect B Social		
B6 Product Responsibility	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 methods of redress.	PRODUCT RESPONSIBILITY — Safeguarding Our Customers
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	BUSINESS INTEGRITY
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	OUR COMMUNITY

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

The Group is principally engaged in the property development and property investment business in the People's Republic of China (the "PRC" or "China").

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 10 of this annual report. This discussion forms part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 60.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at the year end date. The net increase in fair value of investment properties, which has been credited directly to the consolidated statement of profit or loss amounted to RMB560,886,000.

During the year, the addition of investment properties under construction of the Group amounted to approximately RMB820,953,000.

Details of these and other movements during the year in property, plant and equipment and investment properties of the Group are set out in notes 13 and 15 to the consolidated financial statements, respectively.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five years ended December 31, 2018 is set out on page 161.

PROPERTIES

Particulars of major properties held by the Group are set out on pages 162 to 164.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group for the year ended December 31, 2018 are set out in the consolidated statement of changes in equity on page 63.

SHARE CAPITAL

Details of the movements in Company's share capital during the year are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2018 were as follows:

	RMB'000
Share premium	**7,967,070**
Accumulated losses	**(2,667,216)**
	5,299,854

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible property developer, we are dedicated to incorporating the sustainability principles in our residential and commercial property development projects, and to create a harmonious environment for our customers and the community. With the implementation of various environmental initiatives and practices, we strive to prevent negative impacts on the environment and to maximise the resource efficiency in our property development and property management business. Before commencing the proposed property development projects, a comprehensive environmental impact assessment is carried out for each of the project to identify the potential significant environmental risks and impacts, and determine proper control and/or mitigation measures in order to prevent, minimise and mitigate the adverse impacts at the earliest stage. For the project design stage, green building designs and features are adopted in our properties to reduce energy and water consumption as well as greenhouse gas emissions. For the project construction stage, we manage our construction contractors to ensure all relevant environmental laws and regulations are fully complied, and that effective mitigation measures are implemented to reduce the air emission, wastewater discharge, waste generation and disposal onsite.

For more details, please refer to the "Environmental, Social and Governance Report" section of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2018, we were not aware of any breaches of or non-compliance with applicable laws and regulations that have significant impacts on the Group.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has maintained a good relationship with its employees, customers, suppliers and contractors:

Employees:	We recognise the importance of our employees and value their every contributions. We strive to create a safe, motivated and respectful workplace for our employees. We offer attractive remuneration and benefit packages to our employees based on their qualifications, experience and market standard, as well as monetary incentives to the employees with excellent performance and reward their efforts and contribution. To foster our employees' career development and maximise their potentials, we arrange various training courses and offer educational sponsorship to our employees and acquire professional knowledge and technical skills in order to support the Group's business development. To build the mutual trusts with our employees, we maintain open communication and understand their needs and concerns on works.
Customers:	We aim to gain our customers satisfaction by delivering the safe properties and high-quality property management services. Through our close monitoring and on-site inspections on the progress and performance of the employed construction contractors, the quality and safety of our properties is properly maintained. To protect our customers' interests, we ensure accurate information is provided in our advertisements and sales brochures, and a defect warranty period is offered for our sold properties. Security system and fire safety systems are in place to safeguard the lives of our residents and tenants. We also have set up a complaint handling procedure to ensure all our customers' needs and expectations are appropriately addressed and handled.
Suppliers & Contractors:	We maintain good relationships with our suppliers and contractors via regular communications with them. We select suitable supplier & contractor for the construction projects through our standardised supplier & contractor selection procedure and tendering management, and to ensure their qualifications, integrity and capabilities in delivering the required products and services. Apart from complying with the relevant national laws and regulations, our contractor require to follow the requirements of our quality, safety and environmental management standards in order to prevent serious building structural defects, work injuries and safety and/or environmental incidents during construction works. Moreover, to uphold the highest business integrity, we require our suppliers and contractors to observe our anti-corruption practices in our business partnerships.

For more details, please refer to the "Environmental, Social and Governance Report" section of this annual report.

DIRECTORS

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

Executive directors:

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive director:

Mr. Kwan Kai Cheong

Independent non-executive directors:

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

Details of the directors' and senior management's biographies have been set out on pages 11 to 14.

Each of the executive directors has entered into a service agreement with the Company for another term of two years commencing February 23, 2019.

In accordance with article 87 of the Company's Articles of Association, Dr. Wang Shih Chang, George, Mr. Kwan Kai Cheong and Mr. Luk Koon Hoo will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

Directors' and Chief Executives' Interests in Securities of the Company

As at December 31, 2018, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were 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 have taken or deemed to have taken 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, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of HK$0.1 each of the Company

As at December 31, 2018, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	Note
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,356,800,000 shares	75%	(i)
Mr. Cheng Chaun Kwan, Michael ("Mr. Cheng")	Personal & family	1,000,000 shares	0.06%	(ii)

Notes:

(i) Of these shareholding interests, 1,356,800,000 shares of the Company are directly held by Hillwealth Holdings Limited ("Hillwealth") whose entire issued share capital is owned by Mr. Wong.

(ii) Of these shareholding interests, 500,000 shares are directly held by Mr. Cheng and 500,000 shares are held by Mr. Cheng's spouse.

(b) Long position in shares of associated corporations of the Company

Name of director	Nature of interest	Name of associated corporation	Number of issued ordinary shares held	Percentage of the issued share of the same class in the associated corporation	Note
Mr. Wong	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK$1.00 each	100%	(iii)
	Personal	Hillwealth	1 share of US$1.00	100%	(iv)

Notes:

(iii) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class "B" shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong).

(iv) As Hillwealth directly holds approximately 75% of the total issued share capital of the Company and thus being the holding company of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at December 31, 2018, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

(c) Long positions in debentures of the Company

As at December 31, 2018, the long position in debentures of the Company of the directors and chief executives are as follows:

Name of director	Nature of interest	Amount of Debentures
Mr. Cheng	Family	US$200,000

Save as disclosed herein, as at December 31, 2018, none of the directors or chief executives nor their associates had or deemed to have any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 34 to the consolidated financial statements.

On January 17, 2011, 20,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants ("the Grantees 1"), subject to acceptance of each of the Grantees 1, under the share option scheme adopted by the Company on February 2, 2007. The 20,000,000 share options were lapsed on March 22, 2013.

On July 3, 2013, 36,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants ("the Grantees 2"), subject to acceptance of each of the Grantees 2, under the share option scheme adopted by the Company on February 2, 2007. The 36,000,000 share options were lapsed on July 3, 2015.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed in note 34 to the consolidated financial statements, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions, certain of which also constitute connected transactions under the Listing Rules disclosed below, during the year are set out in note 35 to the consolidated financial statements.

Other than as disclosed above, no contracts of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and chief executives' interests in shares and underlying shares and debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at December 31, 2018 and as at the date of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2018, the Group had the following connected transactions under the Listing Rules. In the opinion of the directors, such connected transactions were conducted in the normal course of business.

Continuing connected transaction

Office rental and other charges

On July 31, 2008, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong (the "Principal Office") was entered into between Marnav Holdings Limited (an independent third party) of one part, and Frank Union Limited ("Frank Union") (an associate of Mr. Wong) and the Group of the other part. The Tenancy Agreement is effective from August 1, 2008 to July 31, 2011. The Tenancy Agreement was renewed on July 22, 2011 for a further term of three years from August 1, 2011 to July 31, 2014 and was further renewed for a term of three years from August 1, 2014 to July 31, 2017. As the Tenancy Agreement expired on July 31, 2017, on October 4, 2017, Magico Group Limited ("Magico ") (an indirect wholly-owned subsidiary of the Company) entered into a new tenancy agreement (the "New Tenancy Agreement") as a co-tenant with Oripuma Investments Limited, the new landlord, and Frank Union, the other co-tenant to lease the Principal Office for a further term of three years from August 1, 2017 to July 31, 2020.

A sharing agreement dated July 31, 2008 and subsequently renewed on July 22, 2011 and September 22, 2014 for a further term of three years from August 1, 2011 to July 31, 2014 and from August 1, 2014 to July 31, 2017 respectively (the "Sharing Agreement") was entered into between Frank Union and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties. As the Sharing Agreement expired on July 31, 2017, on October 4, 2017, Magico entered into a new sharing agreement (the "New Sharing Agreement") with Frank Union to specify their respective rights and liabilities under the New Tenancy Agreement for a further term of three years from August 1, 2017 to July 31, 2020.

Having regard to the fact that (i) the Company is to share at cost the rent, rates, service fee and utilities charges incurred in respect of the premises subject to the New Tenancy Agreement and New Sharing Agreement proportional to the area used; and (ii) the rent and service fee are negotiated and agreed with an independent third party, rates are imposed by the government and utilities charges by the relevant independent third party service providers, the Directors consider the terms of the New Tenancy Agreement and New Sharing Agreement to be on normal commercial terms and are fair and reasonable so far as the Company is concerned. The Directors are of the view that the transactions under the New Tenancy Agreement and New Sharing Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the shareholders as a whole.

During the year, a total amount of RMB4,060,000 was paid for the office rental and office premises expenses in relation to the use of the principal place of business of the Company in Hong Kong.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Mr. Wong, managing director of the Company, is interested in certain property development projects in the PRC. Pursuant to the option agreements entered into between the Company and Mr. Wong on February 8, 2007, the Company has the right to acquire most of the properties held, whether directly or indirectly, by Mr. Wong. In addition, pursuant to the non-competition deed dated February 8, 2007 signed by Mr. Wong in favour of the Company (the "Non-competition Deed"), Mr. Wong has undertaken to the Company to make necessary arrangements as stated in the Non-competition Deed to avoid competing with the business of the Group. Details of such arrangements are set out in the prospectus dated February 9, 2007 issued by the Company ("Prospectus").

The Company has received confirmation from Mr. Wong that he has complied with the terms of the Deed of Undertaking since the Listing and up to the date of this report. Furthermore, there was no new business opportunities referred from Mr. Wong to the Company during the same period.

Saved as disclosed above, during the year ended December 31, 2018 and up to the date of this report, none of the directors, the substantial shareholders or the management shareholders had any interests in any business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of total revenue.

The largest supplier of the Group by itself and taken together with the next four largest suppliers accounted for 4.9% and 18.0% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

EMOLUMENT POLICY

As at December 31, 2018, the Group had 375 employees in Hong Kong and in the PRC. The total staff costs incurred were approximately RMB31 million.

The Group remunerates its employees mainly with reference to individual performance, qualification, experience and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual performance. In addition, share options may be granted from time to time in accordance with the terms of the Company's approved share option scheme to provide incentives and rewards to the employees.

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.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintain high standards of corporate governance. A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 28.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, there is sufficient public float of 25% of the Company's issued shares as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

AUDITOR

During the year, Deloitte Touche Tohmatsu resigned and BDO Limited was appointed as the auditor of the Company. A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Dr. Wang Shih Chang, George
Chairman

Hong Kong, March 29, 2019

INDEPENDENT AUDITOR'S REPORT

BDO

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111 Connaught Road Central
Hong Kong

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

OPINION

We have audited the consolidated financial statements of China Properties Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 60 to 160, which comprise the consolidated statement of financial position as at December 31, 2018, and 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 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 December 31, 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 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.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the consolidated financial statements, which indicates that as of December 31, 2018, the Group had net current liabilities of RMB3,863,874,000. In addition, the Group is in dispute with certain lenders, who have taken legal action to demand for repayment of certain other borrowings. As stated in note 1, these events and conditions, along with other matters as set forth in note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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, combined with the judgment associated with determining their fair value. The carrying value of the Group's investment properties amounted to approximately RMB53,422,046,000 as at December 31, 2018 and the fair value changes recorded in profit for the year in respect of investment properties was approximately RMB560,886,000. The Group's investment properties comprise offices, carparks, and commercial buildings. The valuation was determined with the assistance of an independent professional valuer (the "Valuer"). As disclosed in note 15 to the consolidated financial statements, for completed investment properties, the valuations have been arrived at using the capitalisation of net income method, based on the present value of the income to be derived from the properties. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developer profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation.	Our procedures in relation to the valuation of investment properties included: • obtaining valuation reports of the Group's investment properties performed by the Valuer and adopted by management; • assessing the qualification, objectivity and experience of the Valuer; • evaluating the methodologies and assumptions, such as discount rates, reversionary rates and market rents, adopted in the valuation models and by management based on our knowledge of the real estate industry; and • checking input data used in the valuation of the Group's investment properties, on a sample basis including rental income, tenancy schedules, capital expenditure details, acquisition cost schedules and development plan, on a sample basis, against appropriate supporting documents.

KEY AUDIT MATTERS — Continued

Key audit matter	How our audit addressed the key audit matter
Provision for legal disputes and disclosure of contingent liabilities under construction contracts	
We identified provision for legal disputes and disclosure of contingent liabilities under construction contracts as a key audit matter due to the involvement of estimation and significant judgment by the management in determining the adequacy of provision. As at December 31, 2018, the Group was the subject of several legal claims mainly in relation to disputes related to its various property construction projects. Where necessary, the management has engaged independent legal advisors to address the potential exposures arising from these legal proceedings. For the exposures where no provision has been made, the obligation to disclose the nature and estimation of contingent liabilities and possible financial impact also requires management's judgment in determining the appropriate disclosure in the consolidated financial statements. The relevant contingent liabilities are disclosed in note 28 to the consolidated financial statements.	Our procedures in relation to provision for legal disputes and disclosure of contingent liabilities under construction contracts included: • reading related construction contracts, external and internal quantity surveyor reports and correspondence with contractors; • reading the analysis prepared by the Group's internal legal counsel and legal opinions issued by the independent legal advisors engaged by the Group, to evaluate the appropriateness of provision made for those cases; and • assessing the adequacy of the Group's disclosures in respect of its contingent liabilities and the provision for legal disputes set out in note 28 to the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on March 29, 2018.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our 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.

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

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

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

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

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

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

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants
Jonathan Russell Leong
Practising Certificate Number P03246
Hong Kong
March 29, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	NOTES	**2018** **RMB'000**	2017 RMB'000
Revenue	6	**96,079**	215,414
Cost of sales		**(52,954)**	(54,493)
Gross profit		**43,125**	160,921
Other income, gains and losses, net	6	**5,218**	10,856
Net exchange (loss) gain		**(45,579)**	159,454
Selling expenses		**(9,491)**	(18,594)
Administrative expenses		**(55,229)**	(62,817)
Finance costs	7	**—**	(179,156)
(Loss) profit from operation before changes in fair value of investment properties and conversion option derivative		**(61,956)**	70,664
Changes in fair value of investment properties	15	**560,886**	256,980
Changes in fair value of conversion option derivative	24	**2,456**	54,574
Profit before tax	9	**501,386**	382,218
Income tax expense	8	**(141,412)**	(97,546)
Profit and total comprehensive income for the year attributable to owners of the Company		**359,974**	284,672
Earnings per share			
— Basic (RMB)	12	**0.20**	0.16
— Diluted (RMB)	12	**0.18**	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	NOTES	**2018 RMB'000**	2017 RMB'000
Non-current Assets			
Property, plant and equipment	13	**409,775**	382,196
Prepaid lease payments	14	**89,785**	92,934
Investment properties	15	**53,422,046**	52,051,301
		53,921,606	52,526,431
Current Assets			
Properties under development for sales	16	**6,000,219**	5,585,706
Properties held for sales	17	**402,843**	427,501
Other receivables, deposits and prepayments	18	**186,121**	170,210
Pledged bank deposits	19	**24,400**	210,441
Bank balances and cash	19	**37,163**	290,775
		6,650,746	6,684,633
Current Liabilities			
Contract liabilities	20	**865,363**	—
Deposits received for sales of properties	20	**—**	439,603
Construction costs accruals		**295,734**	207,660
Other payables and accruals		**193,252**	154,145
Amount due to a shareholder	21	**3,498,137**	2,083,409
Tax payable		**706,318**	703,070
Borrowings	22	**4,906,423**	1,789,332
13.5% fixed-rate senior notes, current portion	23	**—**	1,667,295
15.0% fixed-rate senior notes, current portion	23	**49,393**	—
Convertible note, current portion	24	**—**	393,425
Conversion option derivative	24	**—**	2,517
		10,514,620	7,440,456
Net Current Liabilities		**(3,863,874)**	(755,823)
Total Assets Less Current Liabilities		**50,057,732**	51,770,608

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	NOTES	**2018** **RMB'000**	2017 RMB'000
Non-current Liabilities			
Borrowings	22	**—**	3,740,000
15.0% fixed-rate senior notes, non-current portion	23	**1,526,929**	—
Deferred tax liabilities	25	**10,981,238**	10,841,017
		12,508,167	14,581,017
Net Assets		**37,549,565**	37,189,591
Capital and Reserves			
Share capital	26	**170,073**	170,073
Share premium and reserves		**37,379,492**	37,019,518
Total Equity		**37,549,565**	37,189,591

The consolidated financial statements on pages 60 to 160 were approved and authorised for issue by the board of directors on March 29, 2019 and are signed on its behalf by:

Dr. Wang Shih Chang, George
DIRECTOR

Wong Sai Chung
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Revaluation reserve**	**Special reserve**	**Other reserve**	**General reserve**	**Shareholder contribution reserve**	**Retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Note a)	(Note b)	(Note c)	(Note d)		
At January 1, 2017	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	31,905,894	36,904,919
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	284,672	284,672
At December 31, 2017	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	32,190,566	37,189,591
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	359,974	359,974
At December 31, 2018	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	32,550,540	37,549,565

Notes:

(a) Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation ("Corporate Reorganisation") to rationalise the Group structure prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(b) Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the ultimate controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporate Reorganisation.

(c) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiaries established in the PRC may make an allocation to the general reserve from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

(d) Shareholder contribution reserve represents the deemed contribution arising from the loan from a shareholder, Mr. Wong.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**501,386**	382,218
Adjustments for:		
Amortisation of prepaid lease payments	**44**	44
Depreciation of property, plant and equipment	**1,294**	1,376
Changes in fair value of investment properties	**(560,886)**	(256,980)
Changes in fair value of conversion option derivative	**(2,456)**	(54,574)
Finance costs	**—**	179,156
Interest income	**(499)**	(4,109)
Gain on disposal of investment properties	**(4,673)**	(6,207)
Gain on disposal of property, plant and equipment	**—**	(268)
Unrealised exchange loss (gain), net	**45,579**	(161,195)
Operating cash flows before movements in working capital	**(20,211)**	79,461
Increase in properties under development for sales	**(250,540)**	(45,396)
Decrease in properties held for sales	**25,017**	42,647
(Increase) decrease in other receivables, deposits and prepayments	**(15,911)**	29,046
Increase in deposits received for sales of properties	**—**	36,864
Increase in contract liabilities	**425,760**	—
Increase (decrease) in construction costs accruals	**88,074**	(268)
Increase in other payables and accruals	**39,107**	31,847
Cash from operations	**291,296**	174,201
PRC taxes paid	**(3,355)**	(10,472)
NET CASH FROM OPERATING ACTIVITIES	**287,941**	163,729
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(3,235)**	(3,998)
Additions to investment properties	**(401,160)**	(69,374)
Proceeds received from disposal of investment properties	**15,767**	44,014
Withdrawal of pledged bank deposits	**186,041**	272,067
Placement of pledged bank deposits	**—**	(203,991)
Interest received	**499**	4,109
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(202,088)**	42,827

	2018	2017
	RMB'000	RMB'000
FINANCING ACTIVITIES		
New borrowings raised	**1,572,315**	2,592,019
Repayments of borrowings	**(2,758,453)**	(2,311,600)
Advance from a shareholder	**1,414,728**	170,648
Interest paid	**(568,055)**	(841,154)
NET CASH USED IN FINANCING ACTIVITIES	**(339,465)**	(390,087)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(253,612)**	(183,531)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**290,775**	474,306
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**37,163**	290,775

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

China Properties Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling shareholder is Mr. Wong, who is also the Managing Director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in property development and property investment in the PRC. The principal activities of its principal subsidiaries are set out in note 36.

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as of December 31, 2018, the Group has net current liabilities of RMB3,863,874,000 including construction costs accruals: RMB295,734,000, other payables and accruals: RMB193,252,000, amount due to shareholder: RMB3,498,137,000, borrowings: RMB4,906,423,000 and 15.0% fixed-rate senior notes: RMB49,393,000, which (with the exception of amount due to shareholder, who has confirmed that he would not demand repayment until the Group has excess cash to repay) are due to be repaid within one year from the end of the reporting period. In addition, the Group is in dispute with certain lenders, who have taken legal action to demand for repayment of certain other borrowings. The Group also had commitments for future construction contracted for but not provided in the consolidated financial statements of approximately RMB2,195,366,000 as set out in note 29. These events and conditions may cast significant doubt on the Group's ability to continue as a going concern.

Included in the borrowings of RMB4,906,423,000 shown above are amounts totaling RMB4,677,982,000 for which the lender has demanded repayment as mentioned above, details of which are set out in note 28.

Nevertheless, the consolidated financial statements have been prepared on the going concern basis because the directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from December 31, 2018, after taking into consideration of the following factors and assumptions:

(1) the Group is in negotiations to obtain new credit facilities amounting to not less than RMB4,600,000,000;

(2) confirmation from a shareholder, Mr. Wong, that he would not demand repayment of the amount due to him until the Group has excess cash to repay; and

(3) the estimated proceeds from sales of its investment properties, properties held for sales and pre-sale of properties under development for sales.

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS — Continued

There is a material uncertainty related to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and, therefore that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of such adjustments has not yet been reflected in the financial statements.

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

Application of new and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except as described below, the application of these 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 on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 2 — "Classification and Measurement of Share-based Payment Transactions"

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Application of new and amendments to HKFRSs that are mandatorily effective for the current year — Continued

HKFRS 9 "Financial Instruments"

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairments; and (iii) hedge accounting. The adoption of HKFRS 9 from January 1, 2018 has resulted in changes in accounting policies of the Group and the amounts recognized in the consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (i.e. trade receivables that do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortized cost; (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Application of new and amendments to HKFRSs that are mandatorily effective for the current year — Continued

HKFRS 9 "Financial Instruments" — Continued

(i) Classification and measurement of financial instruments — Continued

A financial asset is measured at amortized cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortized cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI at FVTPL if doing so, eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Application of new and amendments to HKFRSs that are mandatorily effective for the current year — Continued

HKFRS 9 "Financial Instruments" — Continued

(i) Classification and measurement of financial instruments — Continued

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognized in profit or loss.
Financial assets at amortized cost	Financial assets at amortized cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain on derecognition is recognized in profit or loss.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at January 1, 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at January 1, 2018 under HKAS 39	Carrying amount as at January 1, 2018 under HKFRS 9
			RMB'000	RMB'000
Other receivables, deposits and prepayments	Loans and receivables	Financial assets at amortized cost	170,210	170,210
Pledged bank deposits	Loans and receivables	Financial assets at amortized cost	210,441	210,441
Bank balances and cash	Loans and receivables	Financial assets at amortized cost	290,775	290,775

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Application of new and amendments to HKFRSs that are mandatorily effective for the current year — Continued

HKFRS 9 "Financial Instruments" — Continued

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognize ECLs for trade receivables, financial assets at amortized costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Other receivables, deposits and prepayments, pledged bank deposits and bank balances and cash are subject to ECLs model but the impairment is immaterial under this model at the date of initial application (that is January 1, 2018) and for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (i) twelve months ECLs: these are the ECLs that result from possible default events within the twelve months after the reporting date; and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For financial assets measured at amortized cost, the ECLs are based on the twelve months ECLs. The twelve months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and relevant forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Application of new and amendments to HKFRSs that are mandatorily effective for the current year — Continued

HKFRS 9 "Financial Instruments" — Continued

(ii) Impairment of financial assets — Continued

Measurement of ECLs — Continued

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

Presentation of ECLs

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not carry any significant hedge transaction.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at December 31, 2017, but are recognized in the consolidated statement of financial position on January 1, 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Application of new and amendments to HKFRSs that are mandatorily effective for the current year — Continued

HKFRS 9 "Financial Instruments" — Continued

(iv) Transition — Continued

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognized the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, January 1, 2018). As a result, the financial information presented for 2017 has not been restated.

The following table summarized the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at December 31, 2018:

	RMB'000 Increase/(Decrease)
LIABILITIES	
Current liabilities	
Deposits received for sales of properties	(865,363)
Contract liabilities	865,363
Total current liabilities	—
Total liabilities	—

There was no material impact on the Group's 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 ended December 31, 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Application of new and amendments to HKFRSs that are mandatorily effective for the current year — Continued

HKFRS 15 "Revenue from Contracts with Customers" — Continued

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Product or service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on January 1, 2018
Sales of properties	Customers obtain control of the properties when the properties are delivered to and have been accepted. Revenue is thus recognized when the customers accept the properties. There is no other goods or services agreed to be provided in the contract and in practice. There is generally only one performance obligation. Payments are usually received in advance and recognized as a contract liabilities.	**Impact** As of January 1, 2018, deposits received for sales of properties of RMB439,603,000 was reclassified to contract liabilities.
Service income	Customers receive the services, which contain certain performance obligation with the same pattern of transfer, such as security service and cleaning service, when those services are provided. Revenue is recognized over time as those services are provided. Invoices are usually payable on presentation.	**Impact** HKFRS 15 did not result in any significant change or impact on the Group's accounting policies as the recognition method is the same under HKAS 18 and HKFRS 15.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Application of new and amendments to HKFRSs that are mandatorily effective for the current year — Continued

Amendments HKFRS 15 — "Revenue from Contracts with Customers (Clarifications to HKFRS 15)"

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

Amendments to HKAS 40, "Investment Property — Transfers of Investment Property"

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred. The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

HK(IFRIC) — Int 22 — "Foreign Currency Transactions and Advance Consideration"

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

New and revised HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance contracts[2]
HK(IFRIC) — Int 23	Uncertainty over income tax treatments[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[1]
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[1]

1 Effective for annual periods beginning on or after January 1, 2019
2 Effective for annual periods beginning on or after January 1, 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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. 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 lessees, except for short-term leases and leases of low value assets.

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 leasehold lands for own use and those classified as investment properties while other operating lease payments as operating cash flows. Under the 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

New and revised HKFRSs in issue but not yet effective — Continued

HKFRS 16 — "Leases" — Continued

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for prepaid lease payments for 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.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of approximately RMB7,721,000 as disclosed in note 32. 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 as low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB1,029,000 and refundable rental deposits received of RMB3,729,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

HK(IFRIC) — Int 23 — "Uncertainty over Income Tax Treatments"

The Interpretation supports the requirements of HKAS 12 "Income Taxes" by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

New and revised HKFRSs in issue but not yet effective — Continued

Amendments to HKFRS 9 — "Prepayment Features with Negative Compensation"

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Except as disclosed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the results and financial position of the Group.

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 ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that 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.

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 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value 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.

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 when 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 Group 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 consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Revenue recognition (accounting policies applied from January 1, 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

For revenue from sale of properties and pre-completion contracts for the sale of development properties in the ordinary course of business, customers obtain control of the properties when the properties are delivered to and have been accepted. Revenue is thus recognized when the customers accept the properties. There is no other goods or services agreed to be provided in the contract and in practice. There is generally only one performance obligation. Payments are usually received in advance and recognized as contract liabilities.

Service income is recognised over time as those services are provided. Customers receive the services, which contain certain performance obligation with the same pattern of transfer, such as security service and cleaning service, when those services are provided. Invoices are usually payable on presentation. HKFRS 15 did not result in significant impact on the Group's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Revenue recognition (accounting policies applied from January 1, 2018) — Continued

Interest income 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. For financial assets measured at amortised cost that are not credit-impaired at the date of acquisition, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial asset, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance (described in the accounting policy for financial instruments below) of the asset.

Revenue recognition (accounting policies applied until December 31, 2017)

Revenue is measured at the fair value at consideration received or receivable.

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 and pre-completion contracts for the sale of development properties in the ordinary course of business is recognised when all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- 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.

The above criteria are met when the construction of relevant properties has been completed, and the title of properties has been transferred or the properties have been delivered to the purchasers pursuant to the sales agreement whichever is earlier and the collectability of related receivables is reasonably assumed. Deposits and instalments received from purchasers for pre-sale of properties prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Service income is recognised when services are provided.

Interest income 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

Revenue recognition (accounting policies applied until December 31, 2017) — Continued

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) 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 assets (other than properties under construction) 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.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant 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, plant 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.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building 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 leasehold 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.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Leasehold land and building — Continued

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 lease 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.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised on 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 costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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 and losses arising from changes in the fair value of investment property are included in profit or loss in 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.

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 profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Properties under development for sales

Properties under development for sales are stated at the lower of cost and net realisable value. Cost comprises both the prepaid lease payments for the land and development cost for the property. Net realisable value takes into account the price ultimately expected to be realised, less applicable selling expenses and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sales.

Properties held for sales

Properties held for sales are stated at the lower of cost and net realisable value. Cost includes the cost of land, development costs attributable to the properties held for sale, other costs that have been incurred in bringing the properties to their existing condition such as finance costs are capitalised.

Financial instruments (accounting policies applied from January 1, 2018)

Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments (accounting policies applied from January 1, 2018) — Continued

Financial assets — Continued

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments (accounting policies applied from January 1, 2018) — Continued

Financial assets — Continued

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) twelve months ECLs: these are the ECLs that result from possible default events within the twelve months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the twelve-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments (accounting policies applied from January 1, 2018) — Continued

Impairment loss on financial assets — Continued

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments (accounting policies applied from January 1, 2018) — Continued

Financial liabilities — Continued

Financial liabilities at fair value through profit or loss — Continued

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial instruments (accounting policies applied until December 31, 2017)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("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.

Financial assets

The Group's financial assets are classified as loans and receivables. 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 purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments (accounting policies applied until December 31, 2017) — Continued

Financial assets — Continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables 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 (including other receivables, pledged bank deposits, and bank balances) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. They are considered to be impaired when 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 contract, 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 loans and receivables 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.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments (accounting policies applied until December 31, 2017) — Continued

Financial assets — Continued

Impairment of financial assets — Continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other 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 other 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.

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 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.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments 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 Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and financial liabilities at amortised cost. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments (accounting policies applied until December 31, 2017) — Continued

Financial liabilities and equity instruments — Continued

Financial liabilities at FVTPL

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, other than convertible note and conversion option derivative (see accounting policy below), including construction costs accruals, other payables and accruals, amount due to a shareholder, borrowings and 13.5% fixed-rate senior notes are subsequently measured at amortised cost, using the effective interest method.

Convertible note and conversion option derivative

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and conversion option derivative are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative together with other embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments (accounting policies applied until December 31, 2017) — Continued

Convertible note and conversion option derivative — Continued

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

Derecognition

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, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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.

Impairment losses on assets

At the end of each reporting period, the Group reviews the carrying amounts of its 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.

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 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. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Impairment losses on assets — Continued

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 immediately in profit or loss.

Leasing

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.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

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 tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 initial recognition 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, 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 taxes 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 taxes for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income taxes" (i.e. based on the expected manner as to how the properties will be recovered).

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Taxation — Continued

Current and deferred tax are recognised in profit or loss, except when they relate 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.

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 recognised 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 at that 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.

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGMENT 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. Revision to accounting estimate is 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 judgment in applying accounting policies

Except as disclosed elsewhere in the consolidated financial statements, the following are the critical judgments 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.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Critical judgment in applying accounting policies — Continued

Deferred taxation on investment properties

For the purposes of measuring deferred taxation 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. Accordingly, deferred taxation in relation to the Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

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.

Estimate of fair value of investment properties under construction

As described in note 15, investment properties under construction are mainly measured at fair value at the end of each reporting period using the residual method with the assistance of independent professional valuers. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In relying on the valuation report, the directors of the Company have exercised their judgment that the assumptions used in the valuation are appropriate, reasonable and reflect market conditions. Where there are any changes in the assumptions due to the market conditions in the PRC, the estimate of fair value of investment properties under construction may be significantly affected. As at December 31, 2018, investment properties under construction revalued using the residual method amounted to approximately RMB50,729,171,000 (2017: RMB49,359,290,000).

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Key sources of estimation uncertainty — Continued

Estimate of net realisable value of properties under development for sales and properties held for sales

As at December 31, 2018, properties under development for sales of approximately RMB6,000,219,000 (2017: RMB5,585,706,000) and properties held for sales of approximately RMB402,843,000 (2017: RMB427,501,000) were stated at lower of cost and net realisable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is determined by estimating the selling price less selling expenses and costs of completion (if any), which are estimated based on best available information. Where there are any decreases in the estimated selling prices arising from any change in market conditions in the PRC, there may be impairment losses recognised on the properties under development for sales and properties held for sales.

Land appreciation taxes

PRC land appreciation tax ("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 land costs, borrowing costs and all property development expenditure.

The Group is subject to LAT in the PRC which has been included in income tax expense of the Group. Significant judgment is required in determining the amount of land appreciation and the related taxes. The Group recognises these liabilities based on the management's best estimates. Where the final outcome of this matter is different from the amounts that were initially recorded, such differences will impact the income tax expense in the period in which such determination is made. As at December 31, 2017, the Group has LAT payable of approximately RMB559,005,000 (2017: RMB556,457,000) included in tax payable.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Key sources of estimation uncertainty — Continued

Provision for legal disputes and contingent liabilities under construction contracts

As at December 31, 2018, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. Determining whether provision for construction costs in dispute is necessary requires an estimation of the probability that an outflow of resources embodying economic benefits is required to settle the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Based on advice from the Group's independent legal advisors or internal legal counsel, those outstanding legal claims that are still in preliminary stage and the final outcome of which it is not possible to determine at this stage amounted to approximately RMB74 million (2017: RMB44 million) in aggregate. In the opinion of the directors of the Company, the Group has possible obligation in relation to these legal disputes; however, a sufficiently reliable estimate of the amount of the obligation cannot be made at the end of the reporting period. Disclosure of such contingent liabilities has been made in note 28. As a result, an amount of RMB74 million (2017: RMB44 million) has been disclosed as contingent liabilities and such amount has not been included in construction cost accruals nor has provision been made in the consolidated financial statements.

5. SEGMENT INFORMATION

(a) The Company's Chief Executive Officer is the chief operating decision maker ("CODM"). The Group is principally operating in two operating locations and engaged in three principal business activities. Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the operating locations of each principal business activity. The principal locations are Shanghai and Chongqing in the PRC. The Group's operating segments under HKFRS 8 are therefore as follows:

Property development	—	Shanghai
(developing and selling of properties)	—	Chongqing
Property investment	—	Shanghai
(leasing of investment properties)	—	Chongqing
Others		

No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Information regarding the above segments is presented below.

5. SEGMENT INFORMATION — Continued

(a) — Continued

Segment revenue and results

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

For the year ended December 31, 2018

	Property development		**Property investment**			
	Shanghai	**Chongqing**	**Shanghai**	**Chongqing**	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Revenue						
External sales	**12,732**	**72,684**	**176**	**1,382**	**9,105**	**96,079**
Segment profit (loss)	**10,302**	**44,971**	**267,472**	**294,973**	**(998)**	**616,720**
Other income, gains and losses, net						**5,218**
Net exchange loss						**(45,579)**
Unallocated items						**(74,973)**
Profit before tax						**501,386**

For the year ended December 31, 2017

	Property development		Property investment			
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
External sales	195,825	9,343	896	1,627	7,723	215,414
Segment profit (loss)	159,689	1,025	149,239	110,265	(2,317)	417,901
Other income, gains and losses, net						10,856
Net exchange gain						159,454
Finance costs						(179,156)
Unallocated items						(26,837)
Profit before tax						382,218

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by (loss incurred from) each segment including the changes in fair value of investment properties, without allocation of other income, gains and losses, finance costs, net exchange gains and losses, changes in fair value of conversion option derivative, selling expenses and administrative expenses including directors' emoluments. This is the measure reported to the Company's Chief Executive Officer for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION — Continued

(a) — Continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment which is also the information presented to the Company's Chief Executive Officer:

	2018	2017
	RMB'000	RMB'000
Segment assets:		
Property development		
— Shanghai	**1,280,661**	1,298,577
— Chongqing	**5,122,401**	4,625,338
Property investment		
— Shanghai	**42,032,724**	41,213,425
— Chongqing	**11,389,322**	10,837,876
Others	**464,831**	434,718
Segment total	**60,289,939**	58,409,934
Unallocated assets	**282,413**	801,130
Consolidated assets	**60,572,352**	59,211,064
Segment liabilities:		
Property development		
— Shanghai	**881,661**	678,977
— Chongqing	**1,967,357**	1,946,078
Property investment		
— Shanghai	**3,215,828**	3,601,511
— Chongqing	**1,400,514**	1,800,179
Others	**247,824**	282,252
Segment total	**7,713,184**	8,308,997
Unallocated liabilities	**15,309,603**	13,712,476
Consolidated liabilities	**23,022,787**	22,021,473

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reporting segments other than certain property, plant and equipment, certain prepaid lease payments, other receivables, deposits and prepayments, pledged bank deposits, and bank balances and cash, which are commonly used among segments or used for corporate operation.

5. SEGMENT INFORMATION — Continued

(a) — Continued

Segment assets and liabilities — Continued

- all liabilities are allocated to operating and reporting segments other than certain other payables and accruals, amount due to a shareholder, tax payable and deferred tax liabilities, which are corporate liabilities that are not allocated to any segment. Borrowings, fixed-rate senior notes and convertible note are allocated on a consistent basis with certain finance costs capitalised. The conversion option derivative is allocated according to the portion of convertible note allocated.

Other segment information

For the year ended December 31, 2018

	Property development		Property investment			Segments'		
	Shanghai	Chongqing	Shanghai	Chongqing	Others	total	Adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
							(Note a)	
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	–	–	267,296	293,590	–	560,886	–	560,886
Additions to non-current assets (Note b)	–	–	565,882	280,679	11	846,572	4,769	851,341
Depreciation of property, plant and equipment	–	–	–	–	–	–	2,679	2,679
Gain on disposal of investment properties	–	–	–	–	–	–	4,673	4,673
Amortisation of prepaid lease payments	–	–	–	–	3,105	3,105	44	3,149

5. SEGMENT INFORMATION — Continued

(a) — Continued

Other segment information — Continued

For the year ended December 31, 2017

	Property development		Property investment			Segments'		
	Shanghai	Chongqing	Shanghai	Chongqing	Others	total	Adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
							(Note a)	
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	148,342	108,638	—	256,980	—	256,980
Additions to non-current assets (Note b)	—	—	80,481	293,119	34,306	407,906	662	408,568
Depreciation of property, plant and equipment	—	—	—	—	40	40	2,547	2,587
Gain on disposal of investment properties	—	—	—	—	—	—	6,207	6,207
Amortisation of prepaid lease payments	—	—	—	—	3,105	3,105	44	3,149

Notes:

(a) All amounts included in the measure of segment profit or loss or segment assets are allocated to operating segments other than certain additions to non-current assets, depreciation of property, plant and equipment, gain on disposal of investment properties and amortisation of prepaid lease payments which are related to unallocated assets commonly used between segments or used for corporate operation.

(b) Non-current assets include investment properties, property, plant and equipment and prepaid lease payments.

Geographical information

All revenue of the Group are derived from operations in the PRC.

Non-current assets of the Group are mainly located in the PRC (group entities' country of domicile).

Information about major customer

For the years ended December 31, 2018 and 2017, no revenue from a customer of the corresponding year contributed over 10% of the total revenue of the Group.

5. SEGMENT INFORMATION — Continued

(b) In the following table, revenue under HKFRS 15 is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

Disaggregation of revenue

For the year ended December 31

	Sales of properties				Property management income		Total	
	Shanghai		Chongqing					
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Timing of revenue recognition								
At a point in time	**12,732**	195,825	**72,684**	9,343	**—**	—	**85,416**	205,168
Transferred over time	**—**	—	**—**	—	**9,105**	7,723	**9,105**	7,723
	12,732	195,825	**72,684**	9,343	**9,105**	7,723	**94,521**	212,891

6. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

	2018 RMB'000	2017 RMB'000
Revenue		
Sales of properties	**85,416**	205,168
Property rental income	**1,558**	2,523
Property management income	**9,105**	7,723
	96,079	215,414
Other income, gains and losses, net		
Gain on disposal of investment properties	**4,673**	6,207
Interest on bank deposits	**499**	4,109
Gain on disposal of property, plant and equipment	**—**	268
Others	**46**	272
	5,218	10,856
Total revenue and other income, gains and losses, net	**101,297**	226,270

Contract liabilities mainly relate to the deposits received from customers for sales of properties. RMB11,818,000 of the contract liabilities as of January 1, 2018 were recognised as revenue for the year ended December 31, 2018 from acceptance of properties by customers.

As at December 31, 2018, contract liabilities or the aggregated amount of the deposits received from the remaining performance obligations under the Group's existing contracts was RMB865,363,000. This amount represents revenue expected to be recognised in the future from acceptance of properties by customers. The Group will recognise the expected revenue in future, which is expected to occur in the next 5 to 12 months.

7. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on other borrowings	**581,690**	588,144
Interest on bank borrowings	**718**	2,728
Effective interest expense on 13.5% fixed-rate senior notes	**183,720**	237,975
Effective interest expense on 15.0% fixed-rate senior notes	**49,289**	—
Effective interest expense on convertible note	**45,681**	68,562
Total finance costs	**861,098**	897,409
Less: Amount capitalised in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales	**(861,098)**	(718,253)
	—	179,156

Borrowing costs capitalised during the year arising on specific borrowings amounted to approximately RMB490,003,000 (2017: RMB258,354,000). Borrowing costs capitalised during the year arising on the general borrowing pool amounted to approximately RMB371,095,000 (2017: RMB459,899,000) and was calculated by applying a capitalisation rate of 17.36% (2017: 12.51%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax:		
Enterprise Income Tax ("EIT")/ Land Appreciation Tax ("LAT") in the PRC	**1,191**	33,301
Deferred tax (note 25):		
Current year	**140,221**	64,245
	141,412	97,546

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 group entities is 25% for both years.

Under the Provisional Regulations on Land Appreciation Tax implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowings costs and all property development expenditures.

8. INCOME TAX EXPENSE — Continued

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Income tax expense for the year can be reconciled from the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	RMB'000	RMB'000
Profit before tax	**501,386**	382,218
Tax at PRC enterprise income tax rate of 25%	**125,347**	95,555
Tax at PRC LAT rates ranging from 30% to 60%	**490**	—
Tax effect of expenses not deductible for tax purpose	**26,564**	57,025
Tax effect of income not taxable for tax purpose	**(17,568)**	(55,034)
Tax loss not recognised	**6,619**	—
Income tax expense for the year	**141,412**	97,546

9. PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	**1,255**	1,304
Other staff costs		
— salaries and other benefits	**23,835**	24,608
— contributions to retirement benefits schemes	**6,248**	5,421
Total staff costs	**31,338**	31,333
Less: Amount capitalised in investment properties under construction and properties under development for sales	**(4,328)**	(5,877)
	27,010	25,456
Auditors' remuneration	**2,223**	2,927
Amortisation of prepaid lease payments	**3,149**	3,149
Less: Amount capitalised in construction in progress under property, plant and equipment	**(3,105)**	(3,105)
	44	44
Depreciation of property, plant and equipment (note 13)	**2,679**	2,587
Less: Amount capitalised in properties under development for sales	**(1,385)**	(1,211)
	1,294	1,376
Cost of properties sold (included in cost of sales)	**42,851**	44,456
Gross rental income from investment properties	**1,558**	2,523
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**(33)**	(93)
	1,525	2,430

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

	2018 RMB'000	2017 RMB'000
Fees	**1,015**	1,064
Salaries and allowances	**240**	240
	1,255	1,304

The emoluments paid to the directors and chief executive were as follows:

For the year ended December 31, 2018

	Fees RMB'000	Salaries and allowances RMB'000	Total RMB'000
Executive directors:			
Dr. Wang Shih Chang, George	—	—	—
Mr. Wong (Note (a))	—	—	—
Mr. Xu Li Chang	—	240	240
	—	240	240
Non-executive director:			
Mr. Kwan Kai Cheong	203	—	203
Independent non-executive directors:			
Mr. Warren Talbot Beckwith	203	—	203
Mr. Cheng Chaun Kwan, Michael	203	—	203
Mr. Luk Koon Hoo	203	—	203
Dr. Garry Alides Willinge	203	—	203
	812	—	812
	1,015	240	1,255

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS — Continued

Directors' and chief executive's emoluments — Continued

For the year ended December 31, 2017

	Fees RMB'000	Salaries and allowances RMB'000	Total RMB'000
Executive directors:			
Dr. Wang Shih Chang, George	—	—	—
Mr. Wong (Note (a))	—	—	—
Mr. Xu Li Chang	—	240	240
	—	240	240
Non-executive director:			
Mr. Kwan Kai Cheong	208	—	208
Independent non-executive directors:			
Mr. Warren Talbot Beckwith	208	—	208
Mr. Cheng Chaun Kwan, Michael	208	—	208
Mr. Luk Koon Hoo	208	—	208
Dr. Garry Alides Willinge	208	—	208
Mr. Wu Zhi Gao (Note (b))	24	—	24
	856	—	856
	1,064	240	1,304

Notes:

(a) Mr. Wong is also the chief executive of the Company and no emoluments for his services rendered as the chief executive was provided by the Group.

(b) The disclosed emoluments for Mr. Wu Zhi Gao represented the emoluments received or receivable before his retirement from directorship on June 29, 2017.

The executive director's emolument shown above was for his service in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' and non-executive director's emoluments shown above were for their services as directors of the Company.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS — Continued

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group did not include any director and chief executive of the Company for both years, details of whose emoluments are set out above. The emoluments of the five highest paid individuals (2017: five) were as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and allowances	**4,827**	4,793
Retirement benefits scheme contributions	**127**	127
	4,954	4,920

Their emoluments were within the following bands:

	2018 **Number of employees**	2017 Number of employees
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	5	5

During both years, no remuneration was paid by the Group to any of the directors and chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive waived any remuneration during both years.

11. DIVIDEND

No dividend was paid or declared during the year ended December 31, 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2018 RMB'000	2017 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**359,974**	284,672
Effect of dilutive potential ordinary shares:		
— Change in fair value of conversion option derivative	**(2,456)**	(54,574)
Earnings for the purpose of diluted earnings per share	**357,518**	230,098

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**1,809,077**	1,809,077
Effect of dilutive potential ordinary shares:		
— Convertible note	**206,612**	206,612
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,015,689**	2,015,689

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Buildings	Leasehold improvements	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2017	53,577	19,873	41	11,234	9,769	303,408	397,902
Additions	—	—	—	394	268	34,306	34,968
Disposals	—	—	—	—	(734)	—	(734)
At December 31, 2017	53,577	19,873	41	11,628	9,303	337,714	432,136
Additions	—	—	—	19	120	30,250	30,389
Disposals	—	—	—	(131)	(138)	—	(269)
At December 31, 2018	53,577	19,873	41	11,516	9,285	367,964	462,256
DEPRECIATION							
At January 1, 2017	18,751	10,617	41	9,447	9,016	—	47,872
Provided for the year (Note 9)	1,339	920	—	175	153	—	2,587
Eliminated on disposals	—	—	—	—	(519)	—	(519)
At December 31, 2017	20,090	11,537	41	9,622	8,650	—	49,940
Provided for the year (Note 9)	1,339	920	—	222	198	—	2,679
Eliminated on disposals	—	—	—	—	(138)	—	(138)
At December 31, 2018	21,429	12,457	41	9,844	8,710	—	52,481
CARRYING VALUES							
At December 31, 2018	32,148	7,416	—	1,672	575	367,964	409,775
At December 31, 2017	33,487	8,336	—	2,006	653	337,714	382,196

13. PROPERTY, PLANT AND EQUIPMENT — Continued

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	Shorter of lease terms and 4.5%
Leasehold improvements	Shorter of the remaining term of the land lease on which the buildings are located and 4.5%
Office equipment, furniture and fixtures	18%–19%
Motor vehicles	18%–19%

Certain of the Group's leasehold land, buildings and construction in progress with a carrying value of approximately RMB32,148,000 (2017: RMB33,487,000), RMB2,791,000 (2017: RMB3,326,000) and RMB310,438,000 (2017: RMB273,878,000) respectively were pledged to secure certain borrowing facilities granted to the Group.

14. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments represents land use rights in the PRC. Certain of the Group's prepaid lease payments with a carrying amount of approximately RMB1,815,000 (2017: RMB2,005,000) were pledged to secure certain borrowing facilities granted to the Group.

15. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
FAIR VALUE		
Completed properties held for rental purpose (Note):		
At the beginning of the year	**2,692,011**	2,689,480
Disposals	**(11,094)**	(37,324)
Net changes in fair value recognised in profit or loss	**11,958**	39,855
At the end of the year	**2,692,875**	2,692,011
Investment properties under construction:		
At the beginning of the year	**49,359,290**	48,768,565
Additions	**820,953**	373,600
Net changes in fair value recognised in profit or loss	**548,928**	217,125
At the end of the year	**50,729,171**	49,359,290
Total	**53,422,046**	52,051,301
Unrealised gain on properties revaluation included in profit or loss for the financial year	**560,886**	256,980

Note: As at December 31, 2018, included in the Group's completed properties held for rental purpose, are properties in Shanghai, namely, Phase 1 of Shanghai Concord City with carrying amount of approximately RMB2,230,410,000 (2017: RMB2,210,480,000); of which 100% (2017: 100%) is currently unoccupied and strategically reserved for lease in the future because the Group plans to restructure the mixture of the tenants. As part of the Group's marketing strategy, upon the completion of the northern portion of Phase 2 of Shanghai Concord City ("Phase 2 North Portion"), the Group will then recruit their target tenants for both Phase 1 and Phase 2 North Portion of Shanghai Concord City.

The investment properties are under Level 3 fair value measurements. At the end of each reporting period, the senior management works closely with an independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Discussion of valuation process and results are held between senior management and the directors of the Company at least twice a year.

The fair values of the Group's investment properties at December 31, 2018 were determined with the assistance of Vincorn Consulting and Appraisal Limited ("Vincorn") in respect of the properties situated in Shanghai and Chongqing, the PRC. Vincorn is an independent qualified professional valuers not connected with the Group, a member of the Institute of Valuers and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

15. INVESTMENT PROPERTIES — Continued

The fair values of the Group's investment properties at December 31, 2017 were determined with the assistance of Colliers International (Hong Kong) Limited ("Colliers") in respect of the properties situated in Shanghai and Chongqing, the PRC. Colliers is an independent qualified professional valuers not connected with the Group, a member of the Institute of Valuers and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair values of investment properties in Shanghai and Chongqing as at December 31, 2018 determined with the assistance of independent professional valuer were approximately RMB42,032,724,000 (2017: RMB41,213,425,000) and RMB11,389,322,000 (2017: RMB10,837,876,000) respectively. For completed investment properties, the valuations have been arrived at using the capitalisation of net income method, based on the present value of the income to be derived from the properties. For completed properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developer profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies.

At December 31, 2018, the overall development areas on two pieces of land plot located in Chongqing is awaiting proceeded to the government's final approval to develop Chongqing International Commerce Centre ("CQICC") with gross floor area of 2,050,000 square meter. At December 31, 2018, the fair value of these two pieces of land in Chongqing amounted to approximately RMB4,907,752,000 (2017: RMB4,536,231,000).

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There was no transfer between different levels of the fair value hierarchy for the years ended December 31, 2018 and 2017. Details of the Group's investment properties and information about the valuations under Level 3 of the fair value hierarchy as at December 31, 2018 and 2017 are as follows:

	2018 **RMB'000**	2017 RMB'000
Investment Properties		
Retail	**48,882,279**	47,683,946
Office	**4,539,767**	4,367,355
Total	**53,422,046**	52,051,301

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties — fair values determined by Vincorn					
Shanghai Cannes and Phase 1 of Shanghai Concord City					
Retail	**2,692,875**	Income capitalisation approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai Cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB382 per square meter per month (for Shanghai Cannes) RMB1,545 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	50%–80% (for Shanghai Cannes) 40%–80% (for Phase 1 of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv) Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v) Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn					
Shanghai Commercial Street at Minhang District ("Minhang"), Huashan Building ("Huashan") and Phase 2 of Shanghai Concord City ("Phase 2 of SH Concord City")					
Retail	**37,228,859**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Minhang) 3–4% (for Huashan and Phase 2 of SH Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB599 per square meter per month (for Minhang) RMB1,710–RMB1,800 per square meter per month (for Huashan and Phase 2 of SH Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	80%–98%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	10%–20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB9,955 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	8%–9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%–6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5%–6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Shanghai Phase 2 of Shanghai Concord City					
Office	**2,110,990**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	4%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB405 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	85%–95%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB8,000 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	6%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Manhattan City					
Retail	**1,547,031**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB228 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	25%–30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB3,536 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Concord City					
Retail	**3,262,767**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB844 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB7,439 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Concord City — continued					
Office	**1,671,772**	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB30,404 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing International Commerce Centre					
Retail	**4,150,747**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB481 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	60%–85%	The higher the expected occupancy rates, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi) Construction cost	RMB5,614 per square meter	The higher the cost, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing International Commerce Centre — continued					
Office	**757,005**	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB22,973 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
	50,729,171				

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties — fair values determined by Colliers					
Shanghai Cannes and Phase 1 of Shanghai Concord City					
Retail	2,692,011	Income capitalisation approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai Cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB374 per square meter per month (for Shanghai Cannes) RMB1,478 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	50%–80% (for Shanghai Cannes) 40%–80% (for Phase 1 of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv) Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v) Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers					
Shanghai Commercial Street at Minhang District ("Minhang"), Huashan Building ("Huashan") and Phase 2 of Shanghai Concord City ("Phase 2 of SH Concord City")					
Retail	36,390,474	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Minhang) 3–4% (for Huashan and Phase 2 of SH Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB579 per square meter per month (for Minhang) RMB1,628–RMB1,800 per square meter per month (for Huashan and Phase 2 of SH Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	80%–98%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	10%–20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB9,955 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	8%–9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%–6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5%–6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued					
Shanghai Phase 2 of Shanghai Concord City					
Office	2,130,940	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	4%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB395 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	85%–95%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB8,000 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued					
Chongqing Manhattan City					
Retail	1,520,140	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB220 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	25%–30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB3,536 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued					
Chongqing Concord City					
Retail	3,220,283	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB826 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB7,439 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued					
Chongqing Concord City — continued					
Office	1,561,222	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB29,162 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued					
Chongqing International Commerce Centre					
Retail	3,834,165	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB461 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	60%–85%	The higher the expected occupancy rates, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi) Construction cost	RMB5,614 per square meter	The higher the cost, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Colliers — continued					
Chongqing International Commerce Centre — continued					
Office	702,066	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB22,303 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
	49,359,290				

As at December 31, 2018, certain of the Group's investment properties with a carrying value of approximately RMB45,421,140,000 (2017: RMB43,086,058,000) were pledged to secure certain borrowing facilities granted to the Group.

All the Group's properties interests held under operating leases to earn rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

16. PROPERTIES UNDER DEVELOPMENT FOR SALES

	2018	2017
	RMB'000	RMB'000
Cost		
At the beginning of the year	**5,585,706**	5,155,483
Additions	**414,872**	432,943
Transfer to properties held for sale	**(359)**	(2,720)
At the end of the year	**6,000,219**	5,585,706
Properties under development for sales of which:		
— expected to be completed within twelve months	**3,316,371**	622,774
— expected to be completed after twelve months after the end of the reporting period	**2,683,848**	4,962,932
	6,000,219	5,585,706

As at December 31, 2017, certain of the Group's properties under development for sales with a carrying value of approximately RMB2,413,980,000 (2017: RMB1,556,106,000) were pledged to secure certain borrowing facilities granted to the Group.

17. PROPERTIES HELD FOR SALES

As at December 31, 2018, certain of the Group's properties held for sales with a carrying value of approximately RMB181,337,000 (2017: RMB153,464,000) were pledged to secure certain borrowing facilities granted to the Group.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Considerations in respect of completed properties sold are received from customers in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the agreement date.

Considerations in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

The Group recognised impairment loss based on the accounting policy stated in note 3 for financial instruments. Further details on the Group's credit policy and credit risk arising from other receivables, deposits and prepayments are set out in note 3.

	2018	2017
	RMB'000	RMB'000
Prepayment of business taxes and other PRC taxes	**55,826**	35,133
Other receivables, deposits and prepayments	**130,295**	135,077
	186,121	170,210

19. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At December 31, 2018, bank deposits of approximately RMB24,400,000 (2017: RMB210,441,000) were pledged as securities against certain short term borrowings due within one year. These pledged bank deposits have accordingly been classified as current assets.

The pledged bank deposits carry effective interest rates of 1.5% (2017: range from 0.01% to 2.10%) per annum. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings. Bank balances carry interest at market rates which range from 0.01% to 0.35% (2017: 0.01% to 1.10%) per annum.

At December 31, 2018, pledged bank deposits and cash with banks in the PRC amounted to approximately RMB61,192,000 (2017: RMB471,613,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

20. CONTRACT LIABILITIES AND DEPOSITS RECEIVED FOR SALES OF PROPERTIES

	2018	2017
	RMB'000	RMB'000
Contract liabilities/Deposits received for sales of properties — expected to be realised within twelve months	**865,363**	439,603

	December 31, 2018	**January 1, 2018**	**December 31, 2017**
	RMB'000	RMB'000	RMB'000
Contract liabilities arising from:			
Sales of properties	865,363	439,603	—

20. CONTRACT LIABILITIES AND DEPOSITS RECEIVED FOR SALES OF PROPERTIES — Continued

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sales of properties

100% of payments are usually received in advance and recognized as a contract liabilities.

Movements in contract liabilities is as follows:

	2018 RMB'000
Balance as at January 1	**439,603**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year (note 6)	**(11,818)**
Increase in contract liabilities as a result of received in advance from sales of properties	**437,578**
Balance as at December 31	**865,363**

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at January 1, 2018. Upon the adoption of HKFRS 15, amounts previously included as "Deposits received for sales of properties" have been reclassified to "Contract liabilities".

21. AMOUNT DUE TO A SHAREHOLDER

Amount due to a shareholder, Mr. Wong, is non-trade in nature, unsecured, interest-free and repayable on demand while request for payment will only be made when the Company has excess cash to repay.

During the year ended December 31, 2018, upon the maturity of the convertible note issued by the Company on August 14, 2012 and registered in the name of Hillwealth, the outstanding principal amount of convertible note together with all interest accrued in the total sum of HK$525,000,000 (equivalent to RMB443,656,000) was settled by the Company with Hillwealth by the way of an unsecured, interest-free loan advanced to the Company by Mr. Wong for the same amount.

22. BORROWINGS

	2018 RMB'000	2017 RMB'000
Bank borrowings, secured	**16,027**	—
Other borrowings, secured	**4,890,396**	5,529,332
	4,906,423	5,529,332
Carrying amounts of the borrowings repayable based on contractual term#:		
On demand or within one year	**4,906,423**	1,789,332
More than one year, but not exceeding two years	**—**	2,440,000
More than two years, but not exceeding five years	**—**	1,300,000
	4,906,423	5,529,332
Less: Amount due within one year shown under current liabilities	**(4,906,423)**	(1,789,332)
Amount shown under non-current liabilities	**—**	3,740,000

The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's borrowings are all denominated in RMB for the year ended December 31, 2018 and 2017.

Bank borrowings

	2018 RMB'000	2017 RMB'000
Carrying amounts of secured variable-rate bank borrowings repayable based on contractual term#:		
On demand or within one year	**16,027**	—

The amounts due are based on scheduled repayment dates set out in the loan agreements.

22. BORROWINGS — Continued

As at December 31, 2018, the interest rates of the Group's variable-rate bank borrowings are based on base rate fixed by the People's Bank of China ("PBOC") plus a premium. Details are as follows:

	2018 RMB'000
Base rate fixed by PBOC plus a premium:	
Carrying amounts repayable:	
Within one year	**16,027**

As at December 31, 2018, the ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2018
Effective interest rate:	
Variable-rate bank borrowings	**6.1%**

Other borrowings

	2018 RMB'000	2017 RMB'000
Carrying amount of the fixed-rate other borrowings repayable based on contractual term#:		
On demand or within one year	**4,890,396**	1,789,332
More than one year, but not exceeding two years	**—**	2,440,000
More than two years, but not exceeding five years	**—**	1,300,000
	4,890,396	5,529,332
Less: Amount due within one year or on demand shown under current liabilities	**(4,890,396)**	(1,789,332)
Amount shown under non-current liabilities	**—**	3,740,000

The amounts due are based on scheduled repayment dates set out in the loan agreements.

The other borrowings are secured and have fixed interest rates ranging from 6.10% to 36.00% (2017: 7.20% to 11.34%) per annum. The weighted average rate is 11.02% (2017: 10.18%) per annum.

22. BORROWINGS — Continued

Other borrowings — Continued

As at December 31, 2018, the Group has four (2017: four) significant secured fixed rate other borrowings from three lenders (2017: three lenders), which are denominated in RMB, carrying interests at fixed rates ranging from 7.2% to 13.9% (2017: 7.20% to 11.34%) per annum. At December 31, 2018 and 2017, the carrying amount of such other borrowings amount to RMB4,677,983,000 (RMB4,677,983,000 repayable on demand or within one year, and RMB4,573,593,000 (RMB1,333,593,000 repayable within one year, RMB2,440,000,000 repayable one to two years and RMB800,000,000 repayable two to five years), respectively.

As at December 31, 2018, the carrying amount of other borrowings summarised above for which the lender has demanded repayment amounted to RMB4,677,982,000. For details, please refer to note 28.

23. FIXED-RATE SENIOR NOTES

13.5% fixed-rate senior notes

On October 8, 2013 and October 22, 2013, the Company issued approximately US$150 million and US$100 million respectively in aggregate principal amount of the fixed-rate senior notes which contain two components, liability and early redemption options.

The notes bear interest at a fixed-rate of 13.50% per annum. The interest charged for the year is calculated by applying an effective interest rate of approximately 13.67% per annum. Interest on the notes is payable on April 16 and October 16 of each year. The notes were due to mature on October 16, 2018 and are guaranteed by certain of the Company's subsidiaries.

At any time before October 16, 2016, the Company may redeem the notes, in whole or in part, at redemption price equal to 100% of their principal amount plus premium and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to October 16, 2016, the Company may redeem up to 35% of the principal amount of the notes with the net cash proceeds of one or more equity offerings at a redemption price of 113.50% of the principal amount of the notes plus accrued and unpaid interest, if any, to the redemption date. Up to December 31, 2017 the Company did not redeem any 13.5% fixed rate senior note.

On or after October 16, 2016, the Company may, at its option, redeem all or part of the notes at the redemption prices equals to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the 12-month period commencing on October 16 of the years indicated below:

12-month period commencing in the year	Percentage
2016	106.750%
2017	103.375%
2018	100.000%

23. FIXED-RATE SENIOR NOTES — Continued

13.5% fixed-rate senior notes — Continued

The directors of the Company considered that the fair values of the redemption options at December 31, 2017 were insignificant.

The senior notes matured on October 16, 2018 and were repaid in full by using the proceeds from the 15.0% fixed-rate senior notes, details of which are set out below.

The carrying amounts of 13.5% fixed-rate senior notes is analysed as follows:

	2018	2017
	RMB'000	RMB'000
Current portion	—	1,667,295
Non-current portion	—	—
	—	1,667,295

15.0% fixed-rate senior notes

On October 11, 2018, the Group issued approximately US$226 million principal amount of the fixed-rate senior notes which contain two components, liability and early redemption options.

The notes bear interest at a fixed-rate of 15.00% per annum. The interest charged for the year is calculated by applying an effective interest rate of approximately 15.21% per annum. Interest on the notes is payable on April 15 and October 15 of each year. The notes will mature on October 15, 2021. The notes are guaranteed by certain of the Company's subsidiaries and Mr. Wong Sai Chung, the managing director of the Company.

At any time and from time to time on or after April 15, 2020, the Group may redeem the 15.0% fixed rate senior note, in whole or in part, at certain redemption prices, plus accrued and unpaid interest to (but not including) the redemption date. At any time prior to April 15, 2020, the Group may at its option redeem the 15.0% fixed rate senior note, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 15.0% senior notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Up to December 31, 2018 and the date of this report, the Group had not redeemed any 15.0% fixed rate senior note.

On or after April 15, 2020, the Group may, at its option, redeem all or part of the notes at the redemption prices equals to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the 6-month period commencing on the period indicated below:

23. FIXED-RATE SENIOR NOTES — Continued

15.0% fixed-rate senior notes — Continued

6-month period commencing on	Percentage
April 15, 2020	107.500%
October 15, 2020	103.750%
April 15, 2021	101.875%

The directors of the Company consider that the fair values of the redemption options at December 31, 2018 is insignificant.

The carrying amounts of 15.0% fixed-rate senior notes is analysed as follows:

	2018	2017
	RMB'000	RMB'000
Current portion	**49,393**	—
Non-current portion	**1,526,929**	—
	1,576,322	—

24. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE

On January 27, 2012, the Company and Hillwealth, entered into a conditional subscription agreement pursuant to which the Company agreed to issue and the Hillweath, as subscriber agreed to subscribe for a convertible note of HK$500,000,000 in cash. The convertible note is interest bearing at a fixed rate of 5% per annum and matures on the fourth anniversary of the issue date. The conversion price of the convertible note was set at HK$2.42 per share.

On February 21, 2012, the Company and Hillweath entered into a supplemental agreement to extend the maturity date and the period for conversion of the convertible note to the sixth anniversary of the issue date. Both the Company and the Hillweath have no early redemption rights on the convertible note. The Company shall repay the principal amount outstanding under the convertible note to Hillweath together with all interest accrued on the sixth anniversary of the date of issue of the convertible note.

The issuance of the convertible note was approved at the extraordinary general meeting of the Company held on March 16, 2012. On March 19, 2012, the Listing Committee of the Stock Exchange conditionally granted the listing of and permission to deal with the conversion shares, subject to (i) approval by the independent shareholders of the issue of the convertible note under Rule 13.36 of the Listing Rules and (ii) fulfillment of all other conditions of the subscription agreement. In accordance with the subscription agreement, all of the conditions precedent were fulfilled on August 14, 2012 and the issue of the convertible note as agreed between the Company and Hillweath, was also taken to be on August 14, 2012 with settlement against funds previously advanced by Mr. Wong to the Company.

24. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE — Continued

The convertible note is denominated in HK$ and contains two components, a debt component and conversion option derivative. The effective interest rate of the debt component is 18.838% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The movements of the different components of the convertible note for the year are set out as below:

	Debt component	**Conversion option derivative**	**Total**
	RMB'000	RMB'000	RMB'000
Carrying amount at January 1, 2017	374,462	59,297	433,759
Interest charged (Note 7)	68,562	—	68,562
Interest paid	(21,653)	—	(21,653)
Gain arising on changes in fair value	—	(54,574)	(54,574)
Effect of foreign currency exchange differences recognised to profit or loss	(27,946)	(2,206)	(30,152)
As at December 31, 2017	393,425	2,517	395,942
Interest charged (Note 7)	45,681	—	45,681
Gain arising on changes in fair value	—	(2,456)	(2,456)
Settlement of Convertible Note (Note 21)	(443,656)	—	(443,656)
Effect of foreign currency exchange differences recognised to profit or loss	4,550	(61)	4,489
As at December 31, 2018	—	—	—

24. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE — Continued

The fair value of the conversion option derivatives at December 31, 2017 was calculated using the binomial option pricing model by an independent valuer, Asset Appraisal Limited. The inputs into the model are as follows:

	At December 31, 2017
Spot price (HK$)	1.69
Exercise price (HK$)	2.42
Risk-free interest rate	1.03%
Discount rate	17.135%
Expected volatility	25.943%
Dividend yield	0%

Note: Pursuant to the subscription agreement and the supplemental agreement, the conversion option may be exercised at any time after full repayment of the loan principal and all outstanding accrued interest under the facility agreement entered into with China Development Bank Corporation, Hong Kong Branch or the date falling 36 months from the first date a loan was made under the facility agreement (whichever is earlier). The Subscriber will have the right to convert the whole or part of the principal amount of the convertible note into shares at any time and from time to time up to the sixth anniversary of the date of inception of the convertible note. As settlement was made before December 31, 2016, such option is exercisable as at December 31, 2017.

Expected volatility of the conversion option derivative was determined using the historical volatility of the price return of the ordinary shares of the Company. Because the binominal option pricing model requires the input of subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value adjustment of investment properties	Other temporary differences	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2017	10,717,644	59,128	10,776,772
Charged to profit or loss (note 8)	64,245	—	64,245
At December 31, 2017	10,781,889	59,128	10,841,017
Charged to profit or loss (note 8)	140,221	—	140,221
At December 31, 2018	10,922,110	59,128	10,981,238

Other temporary differences mainly represent the temporary differences arising from the construction costs capitalised in investment properties under construction, properties under development for sales and properties held for sales which were deductible for tax purpose in the year those costs incurred.

The Group had no significant unprovided deferred tax during the two years ended December 31, 2018 and 2017, and at the end of the reporting periods.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB771,407,000 (2017: RMB842,236,000) 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.

26. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At January 1, 2017, December 31, 2017 and December 31, 2018	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2017, December 31, 2017 and December 31, 2018	1,809,077,000	180,907
Presented in consolidated financial statements as:		
At January 1, 2017, December 31, 2017 and December 31, 2018		RMB170,073,000

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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 future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Convertible note RMB'000	13.5% fixed-rate senior notes RMB'000	15.0% fixed-rate senior notes RMB'000	Amount due to a shareholder RMB'000	Borrowings RMB'000	Total RMB'000
At December 31, 2017	393,425	1,667,295	—	2,083,409	5,529,332	9,673,461
Financing cash flows (Note)	(443,656)	(1,185,197)	896,256	1,414,728	(1,021,596)	(339,465)
Financing costs recognised (Note 7)	45,681	183,720	49,289	—	582,408	861,098
Effect of foreign currency exchange difference recognised to profit or loss	4,550	25,156	(10,908)	—	—	18,798
Accrued interest not yet paid	—	—	(49,289)	—	(183,721)	(233,010)
Replacement of senior notes (Note 27(b))	—	(690,974)	690,974	—	—	—
At December 31, 2018	—	—	1,576,322	3,498,137	4,906,423	9,980,882

Note: The financing cash flows represented the new borrowings raised, advance from a shareholder, payment of finance costs and repayments to borrowings.

(b) Major non-cash transaction

During the year ended December 31, 2018, 13.5% fixed-rate senior notes amounting to RMB690,974,000 were settled by issuance of 15.0% fixed-rate senior notes to the same lenders.

28. CONTINGENT LIABILITIES

At the end of the reporting period, the contingent liabilities of the Group were as follows:

Guarantee

	2018	2017
	RMB'000	RMB'000
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Note)	**473,086**	492,352

Note: The guarantees were given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. In the opinion of the directors of the Company, the fair value of the financial guarantee contracts is not significant. Deposits received on sales of properties prior to the date of revenue recognition are classified as current liabilities in the consolidated statement of financial position.

Legal disputes

As at December 31, 2018, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale in an aggregate amount of approximately RMB41 million (2017: RMB52 million) and the withdrawal of bank deposits of approximately RMB5 million (2017: RMB6 million) as at December 31, 2018. In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that did not meet the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or is in the process of making counter claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The management of the Group has sought advice from the independent legal advisors or internal legal counsel on these matters. As at December 31, 2018, the Group has provided the construction cost liabilities amounting to RMB49 million (2017: RMB69 million) in relation to the above mentioned construction contracts under dispute.

Outstanding legal claims that are still subject to legal proceedings and/or appeal amounted to approximately RMB74 million (2017: RMB44 million) in aggregate. No further provision has been made in the consolidated financial statements in respects of these claims. The directors of the Company are of the opinion that the Group has reasonable ground to defend those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

28. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

Except for the matters disclosed elsewhere, the Group has the following litigations with some of its lenders:

1) On August 28, 2015, Shanghai Jingan-Concord Real Estate Co., Ltd. ("Shanghai Jingan") and Shanghai Minhang Concord Property Development Co., Ltd.) ("Shanghai Minhang"), each a wholly-owned subsidiary of the Company, as borrowers entered into an entrusted loan agreement with 平安大華匯通財富管理有限公司 ("PinganDahua") whereby an entrusted loan in the aggregate amount of RMB1.3 billion was granted, originally repayable by August 31, 2018 and extended verbally to October 15, 2018. Since then, the above parties have been in negotiations on new repayment arrangements. PinganDahua, without notice to Shanghai Jingan and Shanghai Minhang, made an application to the notary office for an execution certificate at the end of December 2018 and filed an application for enforcement with the High Court of Shanghai.

   The Company has consulted with and obtained independent legal advice from PRC legal counsel, which is of the view that, given the actions of PinganDahua are misleading and constitute misconduct on its part, it is unlikely to cause any significant losses to the Group. Based on the aforesaid and according to the relevant information available as at the date of this report, the abovementioned is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

2) On November 9, 2016, Shanghai Jingan as borrower entered into an entrusted loan agreement (the Lujiazui Entrusted Loan Agreement") with 陸家嘴國際信託有限公司 ("Lujiazui") whereby an entrusted loan in the total aggregate amount of RMB1.3 billion was granted. Three tranches of loan will be due on May 23, 2019, June 6, 2019 and June 15, 2019. Pursuant to the Lujiazui Entrusted Loan Agreement, Shanghai Jingan was required to pay a deposit of RMB124 million to Lujiazui by December 15, 2018, failing which Lujiazui can demand the immediate repayment of the total loan together with liquidated charges and interest. The full RMB124 million was not paid by due date and since December 4, 2018, Shanghai Jingan and Lujiazui have been in discussion to make a partial prepayment of the loan principal by utilising proceeds from sale of certain residential properties which have been charged to Lujiazui as security for the loan. Without notice to Shanghai Jingan, Lujiazui filed a civil claim claiming the amount of RMB1.24 billion against Shanghai Jingan with the High Court of Shanghai on December 20, 2018.

   The Company has consulted with and obtained independent legal advice from PRC legal counsel, which is of the opinion that given Shanghai Jingan has been acting in compliance with the terms of the Lujiazui Entrusted Loan Agreement, there is no breach of contract, and therefore the claim is unlikely to cause any significant losses to the Group. Based on the aforesaid and according to the relevant information available as at the date of this report, the abovementioned incident is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

28. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

3) On September 27, 2017, Shanghai Jingan as a borrower entered into an entrusted loan agreement (the "JIC Trust Entrusted Loan Agreement") with 中建投信託股份有限公司 ("JIC Trust") whereby an entrusted loan in the aggregate amount of RMB1.2 billion was granted in twelve tranches. The loan tenure for each tranche is 24 months and will be due from October 13, 2019 to December 29, 2019 (the "Loan Term"). Pursuant to the JIC Trust Entrusted Loan Agreement, the lender has the right to demand immediate repayment of the loan if the lender has doubt over the borrower's financial ability to repay the loan. On February 14, 2019, Shanghai Jingan received a notice from JIC Trust informing that the JIC Trust Entrusted Loan Agreement would be terminated on February 18, 2019 and the loan would be due on the same day. As the Loan Term has not yet expired, Shanghai Jingan did not repay the loan as demanded. On February 22, 2019, JIC Trust filed a civil claim against Shanghai Jingan and the Company declaring the termination of the JIC Trust Entrusted Loan Agreement and the loan due. The amount of claim is RMB1,452.35 million.

   The Company has consulted with and obtained independent legal advice from PRC legal counsel, which is of the opinion that given the loan has yet been due, the claim is unlikely to cause any significant losses to the Group. Based on the aforesaid and according to the relevant information available as at the date of this report, the abovementioned incident is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

29. OTHER COMMITMENTS

	2018 **RMB'000**	2017 RMB'000
Commitments for future construction contracted for but not provided	**2,195,366**	1,530,143

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in 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 year.

The capital structure of the Group consists of net debt, which includes the amount due to a shareholder, borrowings, 13.5% fixed-rate senior notes, 15.0% fixed-rate senior notes and convertible note disclosed in notes 21, 22, 23 and 24 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings. The directors of the Company monitor current and expected liquidity requirement as well as the summary compliance report on loan covenants regularly.

The directors of the Company review the capital structure on a continuous basis taking into account 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 payments of dividends, new shares issues, shares buy-backs and issue of new debts or redemption of existing debts.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Amortised cost (including cash and cash equivalents)	**152,655**	—
Loans and receivables (including cash and cash equivalents)	—	534,808
Financial liabilities		
Financial liabilities classified as at FVTPL	—	2,517
Amortised cost	**10,469,868**	10,035,266

Financial risk management objectives and policies

The Group's financial instruments include other receivables, pledged bank deposits, bank balances, construction costs accruals, other payables and accruals, amount due to a shareholder, borrowings, 13.5% fixed-rate senior notes, 15.0% fixed-rate senior notes, convertible note and conversion option derivative. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

Market risk

Foreign currency risk

The Group's transactions are mainly denominated in RMB (which is the functional currency of respective group entities), except for certain pledged bank deposits, bank balances, borrowings, fixed-rate senior notes, convertible note and conversion option derivative which are denominated in HK$ and US$ as disclosed below. The Group has not used any forward contract to hedge its exposure to currency risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. A significant depreciation/appreciation in the RMB against US$ and HK$ may have a material impact on the Group's results.

31. FINANCIAL INSTRUMENTS — Continued

Market risk — Continued

Foreign currency risk — Continued

As at the end of the reporting period, certain financial assets and financial liabilities of the Group were denominated in HK$ and US$ which are currencies other than the functional currency of the relevant group entities. The carrying amounts of those foreign currency monetary items are set out below:

	HK$		US$	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank balances and cash	**329**	4,751	**43**	43
13.5% fixed-rate senior notes	**—**	—	**—**	1,667,295
15.0% fixed-rate senior notes	**—**	—	**1,576,322**	—
Convertible note	**—**	393,425	**—**	—
Conversion option derivative	**—**	2,517	**—**	—

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and US$ and the sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the year end for a 5% (2017: 5%) change in foreign currency rates. 5% (2017: 5%) is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in post-tax profit for the year where RMB strengthens 5% against US$ and HK$ for the current year. For a 5% weakening of RMB against US$ and HK$, there would be an equal but opposite impact on the post-tax profit for the year.

	HK$ impact		US$ impact	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
(Loss) profit for the year	**(16)**	19,560	**78,814**	83,363

31. FINANCIAL INSTRUMENTS — Continued

Market risk — Continued

Interest rate risk

As at December 31, 2018, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 22 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate fixed by PBOC arising from the Group's bank borrowings. The Group currently does not have any interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at December 31, 2018 and 2017, the Group's fair value interest rate risk relates primarily to its fixed-rate bank deposits, fixed-rate other borrowings (see note 22 for details), fixed-rate senior notes (see note 23 for details) and convertible note (see note 24 for details). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. In addition, the management monitors the interest rate movement for long term borrowings and will consider to exercise the redemption option of the fixed-rate senior notes if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings as at December 31, 2018. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 1% increase or decrease is used in management's assessment of the reasonably possible change in interest rates.

If interest rates relating to the variable-rate borrowings of the Group increase or decrease by 1%, finance costs would increase or decrease by approximately RMB16,000. Since all the Group's finance costs had been capitalised in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales, there would be no effect on the Group's post-tax profit for the year.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The management closely monitors the utilisation of bank and other borrowings and ensure compliance with loan covenants.

Having considered the factors and circumstances set out in note 1 to the consolidated financial statements, the directors are satisfied that the Group will have sufficient liquidity to meet its cash flows requirements for the next twelve months from the end of the reporting period.

31. FINANCIAL INSTRUMENTS — Continued

Liquidity risk — Continued

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has 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 borrowings at December 31, 2018 with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other 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 curve at the end of the reporting period.

Liquidity table

	Weighted average interest rate	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at December 31, 2018							
Construction costs accruals	**N/A**	**295,734**	**—**	**—**	**—**	**295,734**	**295,734**
Other payables and accruals	**N/A**	**193,252**	**—**	**—**	**—**	**193,252**	**193,252**
Amount due to a shareholder	**N/A**	**3,498,137**	**—**	**—**	**—**	**3,498,137**	**3,498,137**
Borrowings — fixed-rate	**11.02%**	**5,180,018**	**—**	**—**	**—**	**5,180,018**	**4,906,423**
15.0% fixed-rate senior notes	**15.00%**	**271,765**	**224,123**	**1,727,041**	**—**	**2,222,929**	**1,576,322**
Financial guarantee contracts	**N/A**	**473,086**	**—**	**—**	**—**	**473,086**	**473,086**
		9,911,992	**224,123**	**1,727,041**	**—**	**11,863,156**	**10,942,954**
As at December 31, 2017							
Construction costs accruals	N/A	207,660	—	—	—	207,660	207,660
Other payables and accruals	N/A	154,145	—	—	—	154,145	154,145
Amount due to a shareholder	N/A	2,083,409	—	—	—	2,083,409	2,083,409
Borrowings — fixed-rate	10.18%	2,241,356	2,702,680	1,314,250	—	6,258,286	5,529,332
13.5% fixed-rate senior notes	13.50%	1,854,079	—	—	—	1,854,079	1,667,295
Convertible note (Note)	5.00%	438,427	—	—	—	438,427	395,942
Financial guarantee contracts	N/A	492,352	—	—	—	492,352	—
		7,471,428	2,702,680	1,314,250	—	11,488,358	10,037,783

Note: As at December 31, 2017, the carrying amount represents the total carrying amounts of the convertible note and conversion option derivative of approximately RMB393,425,000 and RMB2,517,000 respectively.

31. FINANCIAL INSTRUMENTS — Continued

Liquidity risk — Continued

For properties that are still under construction, the Group typically provides financial guarantees to banks in connection with its 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. Such guarantees will expire upon the completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. 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 the reporting period, the Group considers that it is more likely 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.

The amounts included above for variable interest rate instruments for 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.

Credit risk

As at December 31, 2018 and 2017, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 28.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

For the financial guarantees provided to banks in connection with customers' borrowing of mortgage, if a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstance, the Group is able to retain the customer's deposit and sell the property to recover any amount 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.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

31. FINANCIAL INSTRUMENTS — Continued

Fair value measurement of financial instruments

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Conversion option derivative is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this conversion option derivative is determined (in particular, the valuation technique and inputs used).

Financial liability	Fair value	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Conversion option derivative	Liability: RMB Nil (as at December 31, 2018) Liability: RMB2,517,000 (as at December 31, 2017)	Level 3	Binominal option pricing model The fair value is estimated based on risk-free interest rate, discount rate, share price (from observable market date), expected volatility of the share price of the Company and dividend yield and exercise price	Expected volatility of the share price of the Company, determined by reference to the historical share price of the comparable companies (Note)

Note: The higher the expected volatility of the share price of the Company, the higher the fair value of the conversion option derivative. The volatility of the share price of the Company used in the fair value measurement is 25.943% for the year ended December 31, 2017.

There is no transfer between different levels of the fair value hierarchy for the years ended December 31, 2018 and 2017.

31. FINANCIAL INSTRUMENTS — Continued

Fair value measurement of financial instruments — Continued

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis — Continued

Reconciliation of Level 3 fair value measurements of conversion option derivative

	Conversion option derivative RMB'000
Carrying amount at January 1, 2017	59,297
Fair value gain recognised in profit or loss	(54,574)
Effect of foreign currency exchange difference recognised to profit or loss	(2,206)
At December 31, 2017	2,517
Fair value gain recognised in profit or loss	(2,456)
Effect of foreign currency exchange difference recognised to profit or loss	(61)
At December 31, 2018	—

Fair value measurements and valuation processes

The Group engages qualified external valuers to perform valuations for financial instruments. At the end of each reporting period, the senior management works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Discussion of valuation process and results are held between senior management and the directors of the Company at least twice a year. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

(ii) Fair value of financial assets and liabilities that are not measured on a recurring basis

Except for the fixed-rate senior notes, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. At December 31, 2018, the carrying amount of the fixed-rate senior notes was RMB1,576,322,000 and the fair values of fixed-rate senior notes (categorised within Level 2 hierarchy) of approximately RMB1,561,227,000 have been determined using discounted cash flows at an approximate debt yield which being the sum of base interest rate representing the US risk-free rate of 1.67%, and the spread of 12.39% derived from the Hull-White One-Factor Model. The fair values of other financial assets and financial liabilities (categorised within Level 3 hierarchy) have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

32. OPERATING LEASE COMMITMENTS

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
Within one year	**615**	613
In the second to fifth year inclusive	**2,666**	2,545
After the fifth year	**1,339**	2,022
	4,620	5,180

Leased properties have committed tenants from ten (2017: ten) years.

As lessee

Minimum lease payments paid under operating leases during the year:

	2018 RMB'000	2017 RMB'000
Premises	**4,376**	3,765

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**4,547**	3,877
In the second to fifth year inclusive	**3,174**	5,695
	7,721	9,572

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and are fixed for an average of three (2017: three) years.

33. RETIREMENT BENEFITS PLANS

The Group participates in a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Group and the employees based on 5% of the employees' salaries (capped at HK$25,000 per annum as effective from June 1, 2012 and capped at HK$30,000 per annum as effective from June 1, 2014) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds to the scheme to fund the retirement benefits of the employees which are calculated on a certain percentage of the average employee salary as agreed by local municipal government. The obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total contributions incurred in this connection for the year was approximately RMB6,248,000 (2017: RMB5,421,000).

34. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on February 5, 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme expired on February 5, 2017 and all options which were granted under that Scheme had also lapsed. On June 29, 2017, the Company by ordinary resolution approved the adoption of a new share option scheme ("New Scheme"). No options have yet been granted under such New Scheme during the year ended December 31, 2018 and 2017 and up to the date of this report.

Under the New Scheme, the board of directors of the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 180,907,700 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

34. SHARE OPTION SCHEME — Continued

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

35. RELATED PARTY TRANSACTIONS

Apart from the related party transaction as disclosed elsewhere in the financial statements, the Group had the following transactions during both years:

Nature of transactions

	2018 **RMB'000**	2017 RMB'000
Office premises expenses (Note)	**27**	28

Note: On July 22, 2014, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between the landlord, a subsidiary of Pacific Concord Holding Limited ("PCH") of which the ultimate shareholder is Mr. Wong, and the Group. The Tenancy Agreement is effective from August 1, 2014 to July 31, 2017 and a new agreement was entered which is effective from August 1, 2017 to July 31, 2020.

On the same date, a sharing agreement was entered into between a subsidiary of PCH and the Group per which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

35. RELATED PARTY TRANSACTIONS — Continued

Compensation of key management personnel

The directors of the Company considered that the directors are the key management of the Group. The remuneration of key management personnel of the Group during both years was as follows:

	2018	2017
	RMB'000	RMB'000
Short-term benefits	**1,255**	1,304

The remuneration of directors is determined by the remuneration committee with reference to the involvement and the business performance of the directors of the Company.

36. LIST OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at December 31, 2018 and 2017 are as follows:

Name of subsidiaries	Country of establishment	Equity interest attributable to the Group as at December 31, 2018	2017	Issued and fully paid registered and paid-up capital as at December 31, 2018 and 2017	Principal activities
上海靜安協和房地產有限公司 Shanghai Jingan — Concord Real Estate Co., Ltd.#	PRC	**100%**	100%	US$68,000,000	Property development and investment
上海閔行協和房地產經營有限公司 Shanghai Minhang Concord Property Development Co., Ltd.#	PRC	**100%**	100%	US$99,600,000	Property development and investment
上海盈多利物業管理有限公司 Shanghai Yingduoli Property Management Co., Ltd.##	PRC	**100%**	100%	RMB500,000	Property management service
重慶茵威房地產有限公司 Chongqing Ace Blossom Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶半山一號房地產有限公司 Chongqing Mid-Levels No. 1 Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶山頂一號房地產有限公司 Chongqing Peak No. 1 Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶江灣房地產有限公司 Chongqing Riverside Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶兩江房地產有限公司 Chongqing Yangtze-Jialing River Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶正天投資有限公司 Chongqing Zhengtian Investment Ltd.##	PRC	**100%**	100%	RMB51,000,000	Property development and investment

\# Wholly foreign owned enterprises registered in the PRC.

\## A limited liability company registered in the PRC.

The English names stated above are for identification purpose only.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the both years.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current Assets		
Plant and equipment	**123**	42
Investments in subsidiaries	**7,711,300**	7,636,573
	7,711,423	7,636,615
Current Assets		
Other receivables, deposits and prepayments	**1,123**	1,150
Other current asset	—	1,229,346
Bank balances and cash	—	2
	1,123	1,230,498
Current Liabilities		
Other payables and accruals	**7,303**	6,241
Amounts due to subsidiaries	**2,235,316**	1,046,265
13.5% fixed-rate senior notes, current portion	—	1,667,295
Convertible note, current portion	—	393,425
Conversion option derivative	—	2,517
	2,242,619	3,115,743
Net Current Liabilities	**(2,241,496)**	(1,885,245)
Total Assets Less Current Liabilities	**5,469,927**	5,751,370
Net Assets	**5,469,927**	5,751,370
Capital and Reserves		
Share capital	**170,073**	170,073
Share premium and reserves (Note)	**5,299,854**	5,581,297
Total Equity	**5,469,927**	5,751,370

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY — Continued

Note:

Movement of reserves

	Attributable to owners of the Company		
	Share premium RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At January 1, 2017	7,967,070	(2,272,673)	5,694,397
Loss and other comprehensive income for the year	—	(113,100)	(113,100)
At December 31, 2017	7,967,070	(2,385,773)	5,581,297
Loss and other comprehensive income for the year	—	(281,443)	(281,443)
At December 31, 2018	7,967,070	(2,667,216)	5,299,854

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenue	234,628	71,704	206,217	215,414	**96,079**
Profit before tax	2,029,089	1,679,191	1,047,083	382,218	**501,386**
Income tax expense	(506,764)	(434,230)	(307,499)	(97,546)	**(141,412)**
Profit for the year attributable to owners of the Company	1,522,325	1,244,961	739,584	284,672	**359,974**
Earnings per share					
Basic	RMB0.84	RMB0.69	RMB0.41	RMB0.16	**RMB0.20**
Diluted	RMB0.73	RMB0.61	RMB0.36	RMB0.11	**RMB0.18**

ASSETS AND LIABILITIES

	As at December 31,				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Total assets	53,342,301	55,841,235	58,479,322	59,211,064	**60,572,352**
Total liabilities	(18,424,336)	(19,675,900)	(21,574,403)	(22,021,473)	**(23,022,787)**
	34,917,965	36,165,335	36,904,919	37,189,591	**37,549,565**
Equity attributable to owners of the Company	34,917,965	36,165,335	36,904,919	37,189,591	**37,549,565**

PARTICULARS OF MAJOR PROPERTIES

At December 31, 2018

Properties held by the Group as at December 31, 2018 are as follows:

Location	**Type** (Notes)	**Gross floor area** (Square meters)	**Effective % held**	**Stage of completion**	**Anticipated completion**
Portion of Phases 1,2, 3, 4A and 4B of Shanghai Cannes No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	131,402	100	Completed	N/A
Commercial Street and Service Apartment located at No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	293,815	100	Under planning	2020–2023
Portion of Phase 1 of Shanghai Concord City (Commercial Street, Hotel, Office Premise and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	51,545	100	Completed	N/A
The whole of Phase 2 of Shanghai Concord City (Commercial Street, Hotel, Office Premise and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	338,074	100	Construction in progress	2019–2024

Location	Type (Notes)	Gross floor area (Square meters)	Effective % held	Stage of completion	Anticipated completion
Huashan Building West Nanjing Road Jing'an District Shanghai The PRC	C	7,340	100	Renovation in progress	2020–2024
Chongqing International Commerce Centre located at Nan Bin Road Chongqing The PRC	R & C	2,050,000	100	Construction in progress	2020–2024
Portion of Commercial Street Manhattan Luxury Residence and Beverly Hills located at Lijiu Road Chongqing The PRC	R & C	341,980	100	Construction in progress	2012–2019
Chongqing Manhattan City Villa Zone located at Lijiu Road Chongqing The PRC	R	456,940	100	Construction in progress	2012–2020
Chongqing Manhattan City European Type House Zone located at Lijiu Road Chongqing The PRC	R	477,995	100	Construction in progress	2019–2021
Chongqing Concord City located at Jiefangbei Chongqing The PRC	R & C	408,927	100	Construction in progress	2020–2024

PARTICULARS OF MAJOR PROPERTIES

At December 31, 2018

Location	Type (Notes)	Gross floor area (Square meters)	Effective % held	Stage of completion	Anticipated completion
Golden Tower located at Lijiu Road Chongqing The PRC	R & C	571,992	100	Construction in progress	2019–2023

Notes:

Types of properties: R-Residential, C-Commercial

N/A: Not applicable