SS100

Sunshine 100 China Holdings Ltd

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2608

2018 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yi Xiaodi *(Chairman)*
Mr. Fan Xiaochong *(Vice Chairman)*

Non-executive Directors

Ms. Fan Xiaohua
Mr. Wang Gongquan

Independent Non-executive Directors

Mr. Gu Yunchang
Mr. Ng Fook Ai, Victor
Mr. Wang Bo

AUDIT COMMITTEE

Mr. Ng Fook Ai, Victor *(Chairman)*
Mr. Gu Yunchang
Mr. Wang Bo

REMUNERATION COMMITTEE

Mr. Wang Bo *(Chairman)*
Mr. Fan Xiaochong
Mr. Gu Yunchang

NOMINATION COMMITTEE

Mr. Yi Xiaodi *(Chairman)*
Mr. Gu Yunchang
Mr. Wang Bo

JOINT COMPANY SECRETARIES

Dr. Ngai Wai Fung
Mr. He Jie

COMPANY'S WEBSITE

www.ss100.com.cn

AUTHORISED REPRESENTATIVES

Mr. Yi Xiaodi
Dr. Ngai Wai Fung

REGISTERED OFFICE

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George Town, Grand Cayman KY1-9005
Cayman Islands

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Beijing 100026
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISER

Morrison & Foerster LLP

AUDITOR

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

PRINCIPAL BANKERS

Agricultural Bank of China
China Everbright Bank
China Minsheng Bank
Huaxia Bank
China Zheshang Bank
Industrial and Commercial Bank of China

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House–3rd Floor
24 Shedden Road
P.O. Box 1586, Grand Cayman
KY1-1110, Cayman Islands

LISTING INFORMATION

Place of listing: The Stock Exchange of Hong Kong Limited
Stock code: 2608

Honors and Awards

In March 2018, the Company was honored with the "2018 China Excellence Award for Real Estate Business Model" by Guandian Real Estate New Media.

中国房地产卓越100榜

2018 中国房地产商业模式卓越大奖

阳光 100 中国控股有限公司

A critical moment always needs great enterprises to guide a new way for the industry. A critical moment needs more heritage and innovation. We summarize the performance of the most representative enterprises in China's real estate industry this year to seek the great enterprises, the enterprises brave in pursuing glory and the group among China's most excellent enterprises this year.

觀點 地产新媒体

Secretary General

秘书长

2018-03

2018 China Excellence Award for Real Estate Business Model

In May 2018, the Company was recognised among the "2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value" and "2018 China Mainland TOP 10 Real Estate Companies Listed in Hong Kong by EVA (Economic Value Added)" by the China Real Estate Top 10 Research Team. In September 2018, the Company was once again recognised among "2018 TOP 30 Brand of China Real Estate Companies" by the research team.

2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by Investment Value

2018 China Mainland TOP 10 Real Estate Company Listed in Hong Kong by EVA (Economic Value Added)

2018 TOP 30 Brand of China Real Estate Companies

"China Real Estate TOP 10 Research Team", which is jointly formed by the Enterprise Research Institute of Development Research Centre of the State Council of China, the Institute of Real Estate Studies of the Tsinghua University and the China Index Academy, established an evaluation system for enterprises' operation scale, capability of creating economic value added (EVA), investment value, financial soundness, financing capability, operating efficiency and social responsibility. The Research Team has begun its operation since 2003 and conducted evaluation for 16 years, the results of which have become one of the important standards for investors to assess the comprehensive strength of listed real estate companies in China and explore the investment opportunities in the securities market.

Honors and Awards

In September 2018, the Company was awarded the "2018 TOP 10 Urban Regeneration Projects-Best Urban Operator" and Sunshine 100 Himalaya was awarded "2018 TOP 10 Urban Micro-regeneration Cases- New Creation" at the 2nd China Urban Regeneration Forum.

2018 TOP 10 Urban Regeneration Projects-Best Urban Operator

2018 TOP 10 Urban Micro-regeneration Cases- New Creation

China Urban Regeneration Forum, a summit focusing on commercial cases and business models on urban regeneration in China, invites relevant experts from Policy Research Center of the Ministry of Housing and Urban-Rural Development and New York City Department of City Planning to deliver speeches, aiming to promote healthy development of China's urban regeneration market and encourage innovation.

Chairman's Statement

I am pleased to present the business review for the year ended 31 December 2018 (the "**Reporting Period**") and outlook of the Group to the shareholders of the Company.

REVIEW OF 2018

In 2018, Sunshine 100 continued its efforts in promoting transformation and development and achieved some results. During the year, as China maintained regulation and control over the real estate sector, strategically slowing down, investing cautiously while stepping up de-stocking have been prevalent business trends to prevent market risks in the short term. The slowdown of the industry growth called for higher standards in property developers' development strategies, and more developers sought new drivers of profit growth through strengthened and more diversified business positioning and operations. Over the past year, thanks to the concerted efforts of employees at all levels, we have made good achievements in the following aspects. Firstly, the returns of our projects steadily improved, with an increase of 6.8% in average selling price for the year, especially an increase of 17.3% in the average selling price of the Himalaya projects. Rental income from commercial sector surged by 35.7%. Secondly, our core products have steadily built up advantages. The Himalaya apartment products have been launched in a number of cities and were well received in the market, with sales climbing up and profit margin reaching industry-leading level. Sunshine 100 Commercial Street Complexes have established their presence in different cities and achieved success as expected. We have built up a sizeable and prime land bank of an increasing number of commercial properties, with a relatively balanced distribution across the country. Thirdly, following the reform of management and operation mechanisms, we introduced a "benefit sharing" mechanism and started to share profits of certain projects, which has greatly motivated and inspired our project teams.

Chairman's Statement

I. Satisfactory Results Achieved in Transformation of Business Model

In recent years, the business model of Sunshine 100 has had a great change. As we have been transforming from a property developer to a property operator, our business model has changed from generating profits from property development to creating value through provision of services, with service income increasing continuously. In 2018, we recorded annual contracted sales of RMB12,096 million, representing a year-on-year increase of approximately 14.0%. Our innovative Himalaya product lines have shown a good momentum. For instance, our Chongqing Himalaya project, a top-notch property in Chongqing, which was well-received among high-end investors, saw a sell-through rate of 99% before occupancy. The Himalaya product lines have shown a rapid growth in results and established a market reputation, and are expected to become our biggest growth driver in the future. Our commercial street complex projects have become the urban reception halls of the cities where they are located, and all of the 10 projects delivered are well operated, creating good brand effect. Our Arles Town residential projects also pursue integrated operation to create value through operation, which has pushed up the product value. Improvement of our after-sales services has also driven up rental and occupancy rates, laying down a solid foundation for steady growth in rental income in the future. In 2018, our total service income amounted to RMB635 million, which comprised income from property management and hotel operation of RMB443 million, rental income from investment properties of RMB153 million and income from asset-light operations of RMB39 million, representing an increase of 42.6% over 2016 and 7.8% over 2017. It is expected that our service income will continue to experience a high growth.

II. Competitive Edges of Core Products Further Enhanced

In 2018, our Himalaya projects have evolved to become a leading brand of shared serviced apartments. A mixed rental and sale model that generates high earnings and unique operational services have facilitated the rapid expansion of our Company. Our Himalaya products contributed contracted sales of RMB1,711 million, with an average selling price reaching RMB23,000 per square metre in different cities, representing an increase of 17.3% year on year. The increasingly sophisticated Himalaya products will become a source of growth of Sunshine 100 in the future.

Sunshine 100 Commercial Street Complex projects were launched and we have expanded operation in Liuzhou, Yixing, Changsha and other cities, respectively, achieving desirable results. For example, Sunshine 100 Yaobu Town in Liuzhou, which highlights the unique cultural charm of the city, has become a paragon of commercial streets that create a better lifestyle for people living in Liuzhou. It attracted about 5 million visitors throughout 2018 and was honored as the "Best Commercial Street in Liuzhou for Cultural Tourism" at the Beautiful Liuzhou – Forum on Human Settlements hosted by Guangxi Daily Media Group. Yixing Sunshine 100 Phoenix Street, which was launched in November 2017 has received nearly 3 million visitors in 2018. The first anniversary celebration ceremony and the opening ceremony for the Phoenix Community were held at the end of 2018, initiating a new era for The Bund, Yixing. The Sunshine 100 Phoenix Street property in Changsha has shown a remarkable sales record, while the themed apartments in the commercial street were sold out upon launch, with a sell-through rate of 95%, making it the Top 1 bestseller among commercial properties in Hexi, Changsha and was accredited the "Property with Best Investment Value of the Year" by Sohu Focus, a professional real estate media. The Sunshine 100 Phoenix Street property in Jinan has been popular on its launch and generated sales of RMB120 million on the launch date. In addition, negotiations have been underway with partners in a number of cities in respect of cooperation on development of Sunshine 100 Commercial Street Complexes. With high investment value, high-quality follow-up operations featuring citywide branding events and noticeable social effects, Sunshine 100 Commercial Street Complexes will continue to be one of the engines driving the future performance growth of the Company.

Owing to our sophisticated experience in running commercial street complexes and premium brand reputation, Arles Town projects have seen consistent growth in sales. In particular, Wuxi Sunshine 100 Arles was sold out upon launches in the year, and recorded contracted sales of RMB2,812 million for the year, which has nearly tripled as compared to that of 2017; Wenzhou Sunshine 100 Arles recorded contracted sales of RMB1,720 million for the year, up by 88.0% year on year; Qingyuan Sunshine 100 Arles and Chongqing Sunshine 100 Arles also recorded satisfactory sales performance.

III. Development of New Projects

In 2018, we prudently expanded our land reserves at a low cost by leveraging on our advantageous core products. In addition to the Yingde project in Qingyuan, Tianjin Sunshine 100 Nankai Himalaya and Xi'an Sunshine 100 Arles acquired in the first half of the year, we acquired the Shangdongfang project in Wuhan through a bidding process, which covers a site area of 125,000 square metres designated for commercial and residential purposes. It is expected that the Shangdongfang project will bring good cash returns and brand image to Sunshine 100 as the project has huge potential for development and appreciation in value and its mixed purposes also accord with the development focus of Sunshine 100. Further, we acquired partial equity interest in Wenzhou Sunshine 100 Repulse Bay. The project, with a total gross floor area ("**GFA**") of 100,000 square metres, enjoys prominent geographical advantages and will be developed into an unique seafront cultural tourism and vacation complex in Wenzhou.

As at 31 December 2018, we had a land bank with an aggregate GFA of 15.02 million square metres, which, based on an average selling price could amount to nearly RMB200 billion. Most land parcels in our land bank are located in Qingyuan, Wenzhou, Chongqing, areas surrounding Beijing, Wuxi, Chengdu, Wuhan, Changsha, Jinan, Shenyang and other provincial capital cities. In addition, we held commercial properties of an aggregate value of nearly RMB20 billion, and most of these properties are located in the heart of the cities and have become the urban reception halls of these cities, laying high potentials for value appreciation.

In respect of the strategy on land acquisition in the future, we will, as always, act on prudence and continue to increase our land bank by way of equity acquisitions. In respect of geographical deployment, we will continue to expand our presence mainly in the Yangtze River Delta, the Pearl River Delta and peripheral cities surrounding the "Capital Economic Circle", and focus on our three core product lines – commercial street complex, Himalaya serviced apartments and Arles Town projects. In 2019, we expect to acquire land lots in cities including but not limited to Wuhan, Changsha, Tianjin, Xinglong of Hebei, and Yueyang of Hunan.

In addition, we proactively seek cooperation with external parties who possess quality resources. In September 2018, we entered into an agreement in connection with comprehensive strategic cooperation with China Zheshang Bank Co., Ltd. Beijing Branch, and thereby secured an intentional credit line of RMB10 billion. In December 2018, we entered into a strategic cooperation agreement with China Construction Fifth Engineering Division Corp., Ltd., pursuant to which, both parties will carry out in-depth cooperation on general contracting business nationwide. In January 2019, Beijing Shangdao Yuetu Technology Co., Ltd.(北京商道悦途科技有限公司), a joint venture established by the Group and TCL Electronics Holdings Limited (TCL電子控股有限公司), entered into an agreement on comprehensive cooperation with Anyang Iron & Steel Group. Our efforts in exploring cooperation with various parties have created more possibilities for our continuous access to high-quality project resources and further expansion of operations in the future.

OUTLOOK OF 2019

While continuing to increase the proportions of our three core product lines of commercial street complex, Himalaya apartments and Arles Town projects, we will seek value enhancement through valued-added services instead of land appreciation, improve our brand impact and market competitiveness and shift our focus from "asset" to "people", and endow our products with distinctive features and additional services. As the product lines will be further specialized and become increasingly professionally sophisticated, we will expand our partnership network to support and realise specialization, thereby building our brand image. We plan to increase the scale of our commercial properties to drive rapid growth in income from operation services including rentals from our Himalaya projects and self-own commercial properties, and complete the design and development of standard procedures for operations of product lines of Himalaya, Phoenix Community, Arles Town and cultural tourism-oriented products.

Looking forward in 2019, China's economic growth will remain at the "new normal" stage. In such a market environment, we will, with firm confidence, continue to our transformation to property operation, consolidate and expand achievements therefrom. It is of great urgency for property enterprises to transform and upgrade their business models, and the whole property industry is also undergoing a transformation with the dominant role shifting from primary incremental market to secondary existing market, and moving from high-speed growth to a new stage of "operation services-driven growth". We believe that such a market environment has created good development opportunities for Sunshine 100 as we have always pursued differentiated competitive edges and are transforming from a property developer to an operation service provider. With the growing market presence and profitability of our three core product lines, we believe that Sunshine 100 will achieve even better growth in the new era of development.

In 2019, we will further implement the reform of the management systems and boost efficiency by streamlining administration and delegating power. To be specific, we will shift our management focus from centralized management to individual project management and adopt the mechanism of first responsible personnels for each project; we will continue to effectively implement the asset package operation mechanism; and each project team will be responsible for its own profits and losses, so as to enhance income, revitalize assets and improve benefits.

People are what Sunshine 100 relies on to develop and grow. Through decades of entrepreneurial efforts and development, Sunshine 100 has developed an excellent corporate culture and unique corporate values, which is the internal force that drives the continuous development and growth of Sunshine 100. In 2019, Sunshine 100 will further enhance trainings for its ground-level employees with a focus on providing a platform for employees to fully demonstrate their abilities and wisdom, and further refine the "people-oriented" management philosophy.

Last but not least, on behalf of the Board, I would like to extend my sincere gratitude to all of our colleagues, clients, shareholders and friends who provided support to Sunshine 100.

Yi Xiaodi
Chairman and Executive Director

Corporate Milestones

February

Tap issued offshore 3-year US$165 million senior notes with a coupon rate of 8.5%.

March

Honored with the "2018 China Excellence Award for Real Estate Business Model" by Guandian Real Estate New Media.

May

Recognised among the "2018 China Mainland TOP 10 Real Estate Companies Listed in Hong Kong by Investment Value" and "2018 China Mainland TOP 10 Real Estate Companies Listed in Hong Kong by EVA (Economic Value Added)" by the China Real Estate Top 10 Research Team.

August

Entered into a cooperation framework agreement with TCL Electronics to build sharing and intelligent apartments.

September

Entered into a comprehensive strategic cooperation agreement with China Zheshang Bank Beijing Branch and was granted with an intentional credit line of RMB10 billion.

Recognised among the "2018 TOP 30 Brand of China Real Estate Companies" by the China Real Estate Top 10 Research Team.

Recognised as the "2018 Top 10 Urban Regeneration Projects- Best Urban Operator" at the Second China Urban Regeneration Forum.

Sunshine 100 Himalaya was recognised among the "2018 Top 10 Urban Micro-regeneration Cases – New Creation".

Issued offshore 5-year HK$750 million convertible bonds with a coupon rate of 4.8%.

Won the bidding for Shangdongfang Project in Jiangxia District, Wuhan City, Hubei Province, with a site area of approximately 125,000 square meters.

October

Increased the authorized share capital from HK$30,000,000 to HK$40,000,000 by the creation of additional 1,000,000,000 new shares.

November

Issued offshore 3-year US$170 million senior notes with a coupon rate of 10.5%.

December

Entered into a strategic cooperation agreement with China Construction Fifth Engineering Division.

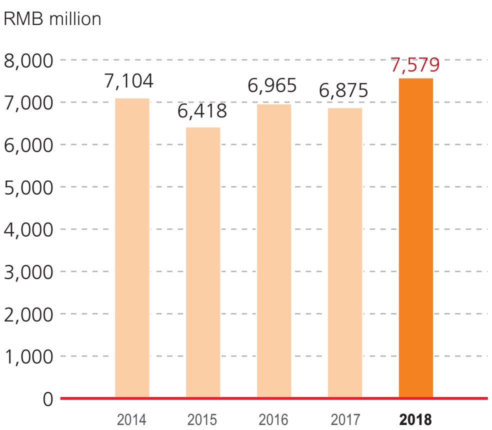
Financial Summary

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue	**7,579**	6,875	6,965	6,418	7,104
Gross profit	**1,591**	1,499	1,084	1,168	1,506
Profit before taxation	**609**	1,296	539	1,003	1,310
Income tax	**366**	(477)	(308)	(390)	(500)
Profit for the year	**243**	849	231	613	810
Total comprehensive income for the year attributable to:					
– Equity shareholders of the Company	**(48)**	593	195	601	767
– Non-controlling interests	**273**	256	36	12	43
Total comprehensive income for the year	**225**	863	219	610	810

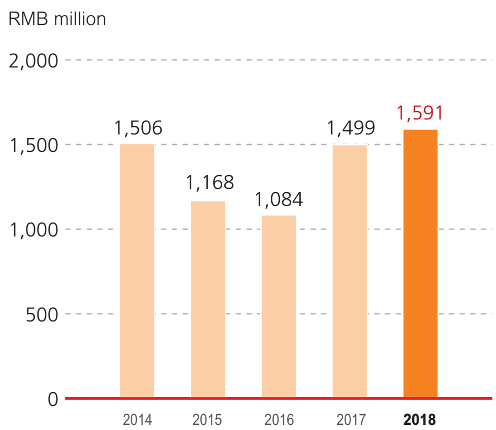
	As at 31 December				
	2018	2017	2016	2015	2014
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total assets	**61,452**	55,780	53,088	43,139	35,071
Total liabilities	**51,844**	46,618	45,406	35,637	29,555
Net assets	**9,608**	9,162	7,682	7,502	5,516
Total equity attributable to:					
– Equity shareholders of the Company	**7,475**	7,447	6,239	6,196	4,620
– Non-controlling interests	**2,133**	1,715	1,443	1,306	896
Total equity	**9,608**	9,162	7,682	7,502	5,516

Financial Summary

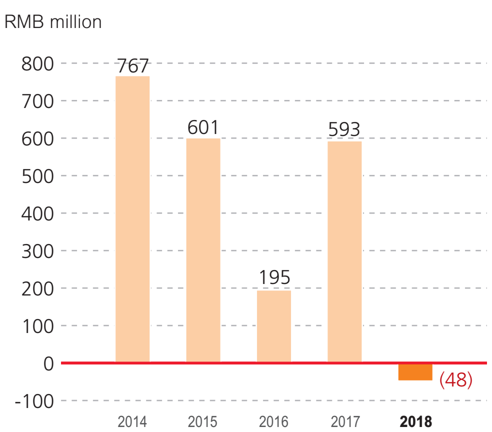
REVENUE



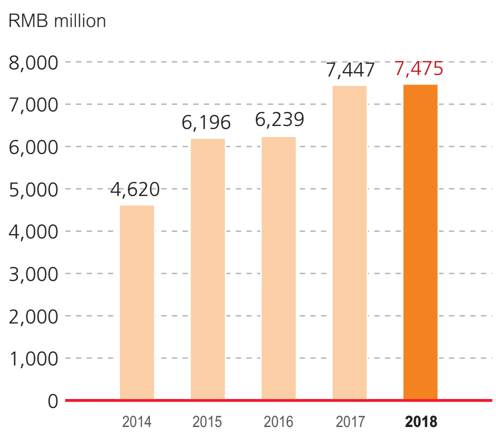
GROSS PROFIT



COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY



TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY



BUSINESS REVIEW

Contracted Sales

During the Reporting Period, the Group (including light-asset operation projects) realised contracted sales of RMB12,096.1 million, representing an increase of 14.0% from 2017, and an aggregate contracted sales area of 947,631 square metres, representing an increase of 9.3% from 2017. Moreover, the Group's average unit price for contracted sales was RMB12,287 per square metre, representing an increase of 6.8% over 2017. The sales of commercial properties and car parks increased prominently with aggregate contracted sales amounting to RMB3,603.6 million, representing an increase of 35.0% from 2017. Contracted sales generated from residential properties amounted to RMB8,492.5 million, representing an increase of 7.0% from 2017. Nearly 48.2% of the contracted sales was generated from the Yangtze River Delta, among which, contributions from Wuxi Sunshine 100 Arles and Wenzhou Sunshine 100 Arles were significant, contributing RMB2,812.4 million and RMB1,720.0 million to the contracted sales, respectively, which accounted for 23.3% and 14.2% of the total contracted sales of the Group respectively.

Breakdown of contracted sales of the Group by geographic location during the Reporting Period is as follows:

			For the year ended 31 December					
Economic area	**City**	**Project**	**Contracted sales area** *(square metres)*[1]		**Contracted sales amount** *(RMB million)*[2]		**Unit selling price** *(RMB/square metre)*[1]	
			2018	2017	**2018**	2017	**2018**	2017
Bohai Rim	Shenyang	Shenyang Sunshine 100 International New Town	**53,300**	68,197	**499**	542	**8,829**	7,698
		Shenyang Sunshine 100 Golf Mansion	**5,205**	18,052	**51**	109	**9,330**	5,706
	Jinan	Jinan Sunshine 100 International New Town	**47,263**	18,537	**1,051**	566	**21,371**	21,686
	Dongying	Dongying Sunshine 100 Phoenix Community (formerly "Dongying Sunshine 100 City Garden")	**24,846**	44,652	**236**	311	**9,278**	6,875
	Weifang	Weifang Sunshine 100 Phoenix Community (formerly "Weifang Sunshine 100 City Plaza")	**53,729**	31,857	**423**	236	**7,866**	7,377
	Tianjin	Tianjin Sunshine 100 Nankai Himalaya (formerly "Tianjin Lijin Mansion")	**10,493**	–	**316**	–	**30,072**	–

Economic area	City	Project	For the year ended 31 December					
			Contracted sales area (square metres)[1]		Contracted sales amount (RMB million)[2]		Unit selling price (RMB/square metre)[1]	
			2018	2017	**2018**	2017	**2018**	2017
		Tianjin Sunshine 100 Tianta Himalaya [3]	**11,875**	–	**413**	–	**34,804**	–
		Tianjin Sunshine 100 International New Town	**-**	–	**27**	86	**-**	–
	Sub-total		**206,711**	181,295	**3,016**	1,850	**14,083**	8,671
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 Arles (formerly "Wuxi Sunshine 100 International New Town")	**230,867**	77,125	**2,812**	965	**12,015**	12,499
		Wuxi Sunshine 100 Himalaya	**24,105**	3,746	**423**	61	**17,556**	16,284
	Wenzhou	Sunshine 100 Wenzhou Center	**16,042**	2,367	**342**	58	**19,174**	24,504
		Wenzhou Sunshine 100 Arles	**156,465**	86,999	**1,720**	915	**10,909**	9,862
		Wenzhou Sunshine 100 Repulse Bay [3]	**10,723**	–	**122**	–	**11,331**	–
	Changzhou	Changzhou Sunshine 100 Zone 7 Upper East Side	**14,178**	145,585	**310**	1,457	**19,764**	10,008
	Yixing	Yixing Sunshine 100 Phoenix Street	**4,403**	10,233	**103**	313	**23,441**	30,587
	Sub-total		**456,783**	326,055	**5,832**	3,769	**12,515**	11,382
Pearl River Delta	Qingyuan	Qingyuan Sunshine 100 Arles	**48,551**	171,881	**621**	1,838	**12,197**	10,048
	Dongguan	Dongguan Songshan Mansion	**493**	–	**5**	–	**11,010**	–
	Putian	Putian Sunshine 100 Phoenix Plaza [3]	**6,713**	67,547	**126**	986	**16,439**	14,597
	Sub-total		**55,757**	239,428	**752**	2,824	**12,698**	11,331

Economic area	City	Project	For the year ended 31 December					
			Contracted sales area (square metres)[1]		Contracted sales amount (RMB million)[2]		Unit selling price (RMB/square metre)[1]	
			2018	2017	**2018**	2017	**2018**	2017
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	**-**	4,489	**-**	97	**-**	11,138
	Chongqing	Chongqing Sunshine 100 Himalaya (formerly "Chongqing Sunshine 100 International New Town")	**9,447**	44,234	**217**	891	**20,885**	19,646
		Chongqing Sunshine 100 Arles	**49,801**	35,206	**586**	416	**11,204**	10,623
	Changsha	Changsha Sunshine 100 Phoenix Street (formerly "Changsha Sunshine 100 International New Town")	**36,547**	22,466	**670**	526	**17,939**	21,900
	Liuzhou	Liuzhou Sunshine 100 Yaobu Town	**3,177**	3,041	**111**	67	**31,139**	20,059
	Chengdu	Chengdu Sunshine 100 Mia Center	**157**	3,630	**5**	71	**16,511**	15,702
	Nanning	Nanning Sunshine 100 Upper East Side International	**177**	507	**59**	16	**11,419**	3,945
		Nanning Sunshine 100 Nine Peninsulas[3]	**78,038**	–	**513**	–	**6,414**	–
	Wuzhou	Wuzhou Sunshine 100 Sankee City[3]	**16,825**	–	**123**	–	**6,761**	–
	Lijiang	Lijiang Sunshine 100 COART Village	**952**	6,999	**13**	81	**14,149**	11,573
	Xi'an	Xi'an Sunshine 100 Arles	**30,828**	–	**178**	–	**5,576**	–
	Guilin	Pingle Sunshine 100 Li River Cultural Village (formerly "Guilin Sunshine 100 Original Lijiang")	**2,431**	–	**21**	–	**8,693**	–
	Sub-total		**228,380**	120,572	**2,496**	2,165	**10,107**	16,471
Total			**947,631**	867,350	**12,096**	10,608	**12,287**	11,509

Notes:

(1) Excluding car parks
(2) Including car parks
(3) Being light-asset operation projects

Breakdown of contracted sales of the Group by type of business during the Reporting Period is as follows:

Type	For the year ended 31 December					
	Contracted sales area *(square metres)*[1]		Contracted sales amount *(RMB million)*[2]		Unit selling price *(RMB/square metre)*[1]	
	2018	2017	**2018**	2017	**2018**	2017
Residential properties	**743,285**	728,319	**8,492**	7,938	**11,426**	10,899
Commercial properties and car parks	**204,346**	139,031	**3,604**	2,670	**15,422**	14,702
Total	**947,631**	867,350	**12,096**	10,608	**12,287**	11,509
Proportion						
Residential properties	**78%**	84%	**70%**	75%		
Commercial properties and car parks	**22%**	16%	**30%**	25%		
Total	**100%**	100%	**100%**	100%		

Notes:

(1) Excluding car parks
(2) Including car parks

Property Construction

During the Reporting Period, the Group commenced construction on GFA of 1,496,430 square metres, representing an increase of 4.0% from 2017. The completed GFA was 1,109,650 square metres, representing an increase of 21.0% from 2017. The increase was mainly due to the completion of certain large projects within the Reporting Period. The total GFA under construction was 4,592,158 square metres as at the end of the Reporting Period, representing an increase of 9.2% as compared with the end of 2017.

The property construction of the Group during the Reporting Period is as follows：

Economic area	City	2018 Newly-started total GFA *(square metres)*	Completed total GFA *(square metres)*	Total GFA under construction as at the end of the period *(square metres)*
Bohai Rim	Jinan	104,809	–	227,417
	Shenyang	64,631	81,739	103,206
	Dongying	4,124	15,497	8,888
	Weifang	191,672	78,026	190,047
	Tianjin	94,911	–	125,986
	Sub-total	**460,147**	**175,262**	**655,544**
Yangtze River Delta	Wuxi	280,158	127,136	536,951
	Wenzhou	219,503	82,909	1,466,292
	Changzhou	1,119	–	249,440
	Sub-total	**500,780**	**210,045**	**2,252,683**
Pearl River Delta	Qingyuan	7,757	190,948	331,386
	Putian	–	173,751	163,527
	Sub-total	**7,757**	**364,699**	**494,913**
Midwest	Chongqing	170,714	137,011	248,148
	Changsha	7,395	115,145	130,428
	Xi'an	168,639	–	168,639
	Guilin	668	19,839	24,098
	Nanning	51,987	87,649	122,707
	Wuzhou	126,577	–	460,300
	Lijiang	1,766	–	34,698
	Sub-total	**527,746**	**359,644**	**1,189,018**
Total		**1,496,430**	**1,109,650**	**4,592,158**

Management Discussion and Analysis

Breakdown of Major Properties

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
Bohai Rim	Jinan	Jinan Sunshine 100 International New Town	No. 19 Yangguang New Road, Huaiyin District, Jinan City, Shandong Province			37,145	227,417	-	49.00%
		Phase I				498	-	-	
		Phase II				705	-	-	
		Phase III				6,463	-	-	
		Phase IV				9,738	-	-	
		Phase V		2020	82%	19,741	122,608	-	
		Phase VI		2021	19%	-	104,809	-	
	Shenyang	Shenyang Sunshine 100 International New Town	Yuhong New Town, Yuhong District, Shenyang City, Liaoning Province			159,121	84,004	268,597	100.00%
		Phase I				22,088	-	-	
		Phase II				56,729	-	-	
		Phase III		2020	55%	80,304	84,004	268,597	
		Shenyang Sunshine 100 Golf Mansion	No. 18 Qi Hao Street, Economics and Technology Development District, Shenyang City, Liaoning Province			84,068	19,202	18,456	51.00%
		Phase I				45,976	-	-	
		Phase II, Phase III		2020	78%	38,092	19,202	18,456	
	Tianjin	Tianjin Sunshine 100 International New Town	Hongqi South Road, Nankai District, Tianjin City			95,633	-	-	86.00%
		Tianjin Sunshine 100 Nankai Himalaya	West of Hongqi Road and North of Chuxiong Road, Nankai District, Tianjin City	2019	44%	-	31,075	-	100.00%
		Tianjin Sunshine 100 Tianta Himalaya	Intersection of Weijin North Road and Tianta Road, Nankai District, Tianjin City	2020	17%	-	94,911	-	20.00%
	Dongying	Dongying Sunshine 100 Phoenix Community	No. 248 North 1st Road, Dongying District, Dongying City, Shandong Province			31,455	8,888	-	100.00%
		Phase I				5,244	-	-	
		Phase II				6,669	-	-	
		Phase III		2019	62%	19,542	8,888	-	
	Weifang	Weifang Sunshine 100 Phoenix Community	No. 5051 Shengli East Street, Kuiwen District, Weifang City, Shandong Province			75,762	190,047	886,554	100.00%
		Phase I				25,805	-	-	
		Phase II				49,957	-	-	
		Phase III		2020	9%	-	190,047	-	
		Phase IV				-	-	423,573	
		Phase V				-	-	462,981	
	Yantai	Yantai Sunshine 100 City Plaza	Nos. 25–27 Haigang Road, Zhifu District, Yantai City, Shandong Province			16,425	-	374,106	100.00%
		Phase I				16,425	-	-	
		Phase II				-	-	374,106	
	Subtotal					**499,609**	**655,544**	**1,547,713**	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	No. 2 Yangqiaohu Avenue, Canglong Island, Jiangxia District, Wuhan City, Hubei Province			104,465	-	-	100.00%
		Phase I				463	-	-	
		Phase II				6,560	-	-	
		Phase III				8,692	-	-	
		Phase IV				7,497	-	-	
		Phase V				15,113	-	-	
		Phase VI				46,542	-	-	
		Phase VII				19,598	-	-	
		Wuhan Shangdongfang Project	Qixin Village, Zhifang Street, Jiangxia District, Wuhan City, Hubei Province			-	-	349,218	100.00%
		Phase I				-	-	103,726	
		Phase II				-	-	70,813	
		Phase III				-	-	90,307	
		Phase IV				-	-	84,372	
	Xi'an	Xi'an Sunshine 100 Ariles	No. 3501 Chanhe West Road, Chanba Ecological District, Xi'an City, Shaanxi Province			-	168,639	-	100.00%
		Phase I				-	168,639	-	
	Chongqing	Chongqing Sunshine 100 Himalaya	Nanbin Road, Nan'an District, Chongqing City			39,538	2,873	849,196	100.00%
		Phase I				8,004	-	-	
		Phase II				31,534	2,873	849,196	
		Chongqing Sunshine 100 Arles	No. 163 Yunan Road, Banan District, Chongqing City			16,452	245,275	65,878	80.00%
		Phase I				16,452	-	-	
		Phase II		2021	50%	-	245,275	-	
		Phase III				-	-	65,878	
	Chengdu	Chengdu Sunshine 100 Mia Centre	No. 6 Wugui Road, Chenghua District, Chengdu City, Sichuan Province			50,843	-	-	100.00%
		Phase I				23,827	-	-	
		Phase II				27,016	-	-	
		Xin Sheng Yuan Project	Keyuan South 2nd Road, High-tech Zone, Chengdu City, Sichuan Province			-	-	20,000	100.00%
	Changsha	Changsha Sunshine 100 Phoenix Street	No. 518 Section One, 2nd South Ring Road, Yuelu District, Changsha City, Hunan Province			71,504	130,428	-	100.00%
		Phase I				6,330	-	-	
		Phase II				28,920	-	-	
		Phase III				7,170	-	-	
		Phase IV		2019	77%	29,084	130,428	-	
	Guilin	Pingle Sunshine 100 Li River Cultural Village	Pingle Town, Pingle County, Guilin City, Guangxi Zhuang Autonomous Region			15,372	21,762	89,549	75.00%
		Phase I				-	529	58,240	
		Phase II, Phase III		2020	83%	15,372	21,233	31,309	
		Guilin Sunshine 100 Scape Project	Ertang Township, Xiangshan District, Guilin City, Guangxi Zhuang Autonomous Region			-	2,336	236,722	100.00%

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
	Liuzhou	Liuzhou Sunshine 100 City Plaza	No. 2 Guizhong Avenue, Liuzhou City, Guangxi Zhuang Autonomous Region			52,445	-	-	75.00%
		Phase I				17,638	-	-	
		Phase II				14,351	-	-	
		Phase III				2,673	-	-	
		Phase IV				17,783	-	-	
		Liuzhou Sunshine 100 Yaobu Town	No. 9 Panlong Road, Liuzhou City, Guangxi Zhuang Autonomous Region			116,798	-	-	98.75%
		Phase I				41,666	-	-	
		Phase II				15,023	-	-	
		Phase III				60,109	-	-	
	Nanning	Nanning Sunshine 100 City Plaza	No. 63–1 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			22,096	-	92,230	100.00%
		Phase I				22,096	-	-	
		Phase II				-	-	92,230	
		Nanning Sunshine 100 Up-east International	No. 166 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			33,993	-	-	26.01%
		Nanning Vantone Air Garden	No. 80 Renmin West Road, Nanning City, Guangxi Zhuang Autonomous Region			2,751	-	-	100.00%
		Nanning Sunshine 100 Mountainside Garden	Nos. 1–2 Yinghua Road, Nanning City, Guangxi Zhuang Autonomous Region			9,830	-	-	51.00%
		Nanning Sunshine 100 Australian Garden	No. 8 Qingshan Road, Nanning City, Guangxi Zhuang Autonomous Region			518	-	-	50.00%
		Nanning Sunshine 100 Nine Peninsulas	Wuhua Avenue Middle, Wuming District, Nanning City, Guangxi Zhuang Autonomous Region			15,416	122,707	1,168,275	30.00%
		Phase I				2,766	-	26,830	
		Phase II		2020	36%	12,650	122,707	-	
		Phase III				-	-	237,451	
		Phase IV				-	-	903,994	
	Wuzhou	Wuzhou Sunshine 100 Sankee City	No. 38 Xinglong Road, Changzhou District, Wuzhou City, Guangxi Zhuang Autonomous Region			11,093	460,300	1,026,914	27.75%
		Phase I				11,093	-	-	
		Phase II		2019	94%	-	249,034	-	
		Phase III		2019	69%	-	99,369	-	
		Phase IV		2020	29%	-	111,897	-	
		Phase V				-	-	1,026,914	
	Lijiang	Lijiang Sunshine 100 COART Village	Kaiwen Community and Longquan Community, Shuhe Street, Lijiang City, Yunnan Province			26,384	34,698	250,830	51.00%
	Subtotal					**589,498**	**1,189,018**	**4,148,812**	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold (square metres)	GFA under development (square metres)	Planned GFA (square metres)	Our attributable interest in the project
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 Arles	No. 1 Tianyi New Street, Xizhang,Yanqiao Town, Huishan District, Wuxi City, Jiangsu Province			345,858	434,657	176,371	100.00%
		Phase I				85,914	-	-	
		Phase II				64,785	-	-	
		Phase III				6,289	-	-	
		Phase IV				128,259	-	132,171	
		Phase V		2019	83%	20,800	161,692	-	
		Phase VI		2020	63%	39,811	272,965	44,200	
		Wuxi Sunshine 100 Himalaya	No. 8 of 8th Financial Street, Tai Lake New Town, Wuxi City, Jiangsu Province	2019	17%	-	102,294	-	100.00%
	Yixing	Yixing Sunshine 100 Phoenix Street	East Jiefang Road, Chengdong New District, Yixing City, Jiangsu Province			47,908	-	-	80.00%
	Wenzhou	Sunshine 100 Wenzhou Center	Binjiang Qidu, Lucheng District, Wenzhou City, Zhejiang Province			13,319	396,833	-	51.00%
		Phase I (C)				13,319	-	-	
		Phase II (A)		2022	41%	-	268,090	-	
		Phase II (B)				-	128,743	-	
		Wenzhou Sunshine 100 Arles	Yangyi Road, Lucheng District, Wenzhou City, Zhejiang Province			-	1,069,459	63,137	51.00%
		Phase I (A11 parcel)		2019	89%	-	227,590	-	
		Phase II (A02 parcel)		2021	33%	-	348,920	-	
		Phase II (A03 parcel)		2021	34%	-	173,338	-	
		Phase II (A05 parcel)		2021	30%	-	102,121	-	
		Phase II (A07 parcel)				-	184,420	-	
		Phase II (A16 parcel)				-	33,070	-	
		Phase II (B09 parcel)				-	-	29,334	
		Phase II (C04&C08 parcels)				-	-	33,803	
	Changzhou	Changzhou Sunshine 100 Kyle 7th District Upper East	East of Dongcheng Road and North of Dongfang East Road, Economic Development Zone, Changzhou City, Jiangsu Province	2019	44%	-	249,440	-	51.00%
	Subtotal					**407,085**	**2,252,683**	**239,508**	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
Pearl River Delta	Qingyuan	Qingyuan Sunshine 100 Arles	No. 24 Area, Po Keng Lian Tai Industry City, Long Tang Town, Qing Cheng District, Qingyuan City, Guangdong Province			129,543	331,386	2,069,004	55.00%
		Phase I				25,483	-	-	
		Phase II				98,423	-	-	
		Phase III		2020	73%	5,637	331,386	97,156	
		Phase IV				-	-	1,971,848	
		Qingyuan Yingde Project	North of Zhenyang Three Road and East of Ying'an Monitoring Station, Yingcheng Street, Yingde City, Qingyuan City, Guangdong Province			-	-	36,677	55.00%
	Putian	Putian Sunshine 100 Phoenix Plaza	No. 1069, Wenxian East Road, Licheng District, Putian City, Fujian Province			20,279	163,527	-	49.00%
	Subtotal					**149,822**	**494,913**	**2,105,681**	
Overseas	Saipan	Saipan Wing Beach Project	Wing Beach, Saipan Island, Northern Mariana Islands			-	-	120,000	51.00%
	Subtotal					**-**	**-**	**120,000**	
	Total					**1,646,014**	**4,592,158**	**8,161,714**	

Notes:

(1) Expected completion date and completion progress are applicable to projects under development, but not applicable to those completed or to be developed.

(2) Completion progress represents the overall completion progress as at 31 December 2018.

(3) The completed investment properties with a total GFA of approximately 508,892 square metres is excluded in this table.

(4) The self-operated commercial areas of Shenyang Sunshine 100 Golf Mansion, Chongqing Sunshine 100 Himalaya and Qingyuan Sunshine 100 Arles with a total GFA of approximately 15,895 square metres, the self-operated hotels of Jinan Sunshine 100 International New Town, Liuzhou Sunshine 100 City Plaza, Chongqing Sunshine 100 Himalaya, Yangshuo Sunshine 100 West Street Square and Shenyang Sunshine 100 Golf Mansion with a total GFA of approximately 80,458 square metres, and the sharing office space of Chengdu Sunshine 100 Mia Centre and Wuxi Sunshine 100 Arles with a total GFA of approximately 14,443 square metres is not included in this table.

Investment properties

During the Reporting Period, the GFA of new investment properties of the Group increased by 39,535 square metres. In the meantime, the GFA of investment properties decreased by 31,387 square metres from that of the previous year. During the Reporting Period, the total GFA of the Group's investment properties, either completed or under construction, was 587,452 square metres and the planned GFA of the investment properties held by the Group for future development was 120,000 square metres. Moreover, the Group's rental income for the Reporting Period was RMB152.9 million, representing an increase of 35.7% as compared to 2017.

Land Acquisition

During the Reporting Period, the Group paid an aggregate amount of RMB1,182.9 million for various land acquisitions and project acquisitions, which mainly included the payment of approximately RMB851.7 million for acquiring the land use rights and related expenses in connection with a parcel of land located at Qixin Village, Zhifang Street, Jiangxia District, Wuhan, Hubei, the PRC.

Breakdown of the land reserves of the Group at the end of the Reporting Period is as follows:

Economic area	City	Total GFA *(square metres)*	Proportion	Attributable GFA *(square metres)*	Proportion
Bohai Rim	Weifang	1,186,718	8%	1,186,718	12%
	Shenyang	737,288	5%	672,823	7%
	Yantai	450,173	3%	450,173	4%
	Jinan	341,881	2%	167,521	2%
	Tianjin	239,192	2%	147,414	1%
	Dongying	43,976	0%	43,976	0%
	Sub-total	**2,999,228**	**20%**	**2,668,625**	**26%**
Midwest	Chongqing	1,257,419	8%	1,191,498	12%
	Guilin	382,742	3%	346,822	3%
	Changsha	201,932	1%	201,932	2%
	Liuzhou	284,247	2%	248,957	1%
	Nanning	1,501,110	10%	554,919	5%
	Wuzhou	1,498,307	10%	415,780	4%
	Wuhan	460,159	3%	460,158	5%
	Chengdu	97,910	1%	97,911	1%
	Xi’an	168,639	1%	168,639	2%
	Lijiang	311,912	2%	159,075	2%
	Sub-total	**6,164,377**	**41%**	**3,845,691**	**37%**
Yangtze River Delta	Wenzhou	1,542,748	10%	786,802	8%
	Wuxi	1,106,314	7%	1,106,315	11%
	Changzhou	249,440	2%	127,214	1%
	Yixing	86,740	1%	69,392	1%
	Sub-total	**2,985,242**	**20%**	**2,089,723**	**21%**
Pearl River Delta	Qingyuan	2,566,921	17%	1,411,806	14%
	Putian	183,806	1%	90,065	1%
	Sub-total	**2,750,727**	**18%**	**1,501,871**	**15%**

Economic area	City	Total GFA (square metres)	Proportion	Attributable GFA (square metres)	Proportion
Northern Mariana Islands	Saipan	120,000	1%	61,200	1%
	Sub-total	**120,000**	**1%**	**61,200**	**1%**
Total		**15,019,574**	**100%**	**10,167,110**	**100%**

FINANCIAL REVIEW

Financial performance

Revenue

During the Reporting Period, the Group's revenue increased by 10.2% to RMB7,579.1 million in 2018 from RMB6,874.6 million in 2017 mainly due to the increase in revenue generated from sale of properties of the Group.

Income from sale of properties

During the Reporting Period, revenue generated from the sale of properties increased by 10.5% to RMB6,944.1 million in 2018 from RMB6,285.4 million in 2017, mainly due to delivery of certain properties with higher unit selling price and upward adjustment to income from sales of properties for the period as a result of the application of new accounting standards on the revenue by the Group during the Reporting Period.

	For the year ended 31 December					
	Sales area (square metres)[1]		Sales amount (RMB million)[2]		Unit selling price (RMB/square metre)[1]	
Type	**2018**	2017	**2018**	2017	**2018**	2017
Residential properties	**584,407**	706,823	**5,690**	4,866	**9,737**	6,884
Commercial properties and car parks	**74,109**	71,402	**1,254**	1,419	**13,708**	13,823
Total	**658,516**	778,225	**6,944**	6,285	**10,184**	7,521
Proportion						
Residential properties	**89%**	91%	**82%**	77%		
Commercial properties and car parks	**11%**	9%	**18%**	23%		
Total	**100%**	100%	**100%**	100%		

Notes:

(1) Excluding car parks
(2) Including car parks

Income from property management and hotel operation

During the Reporting Period, revenue generated from property management and hotel operation of the Group increased by 14.1% to RMB443.4 million in 2018 from RMB388.5 million in 2017, mainly due to the increase in the area under property management by the Group.

Rental income from investment properties

During the Reporting Period, rental income from investment properties of the Group increased by 35.7% to RMB152.9 million in 2018 from RMB112.7 million in 2017, mainly due to the increase in the rentable area of the Group and the increased rental rate.

Light-asset operation income

During the Reporting Period, light-asset operation income of the Group decreased by 56.0% to RMB38.7 million in 2018 from RMB88.0 million in 2017, mainly because the old projects by way of light-asset operation are approaching completion and new projects had not commenced large-scale pre-sales, resulting in the decrease in the overall contracted amount of the projects under the Group's operation as compared with last year, which accordingly brought down the sales agency fee and brand royalties charged by the Group.

Cost of sales

During the Reporting Period, the cost of sales of the Group increased by 11.4% to RMB5,988.3 million in 2018 from RMB5,375.2 million in 2017. Cost of sales of properties increased by 10.3% to RMB5,493.3 million in 2018 from RMB4,980.7 million in 2017, primarily due to the upward adjustment to the cost of sales of properties for the period as a result of increase in the revenue by the Group during the Reporting Period, and delivery of certain properties with higher cost during the Reporting Period. Cost of property management and hotel operation increased by 29.5% to RMB482.3 million in 2018 from RMB372.5 million in 2017, primarily due to the increase in the area under property management by the Group. In addition, the cost incurred for light-asset operation decreased by 42.3% to RMB12.7 million in 2018 from RMB22.0 million in 2017.

Gross profit

As a result of the foregoing, for the Reporting Period, the Group's gross profit increased by 6.1% to RMB1,590.8 million in 2018 from RMB1,499.4 million in 2017. The Group's gross profit margin was 21.0%, similar to that in 2017.

Valuation gains on investment properties

During the Reporting Period, valuation gains on investment properties of the Group were RMB888.7 million, primarily due to the transfer of certain properties under development and completed for sale to investment properties.

Other income

During the Reporting Period, the Group's other income increased by RMB258.2 million, mainly due to gain on bargain purchase related to acquisition of subsidiaries.

Selling expenses

During the Reporting Period, the Group's selling expenses decreased by 7.7% to RMB553.7 million in 2018 from RMB599.7 million in 2017, primarily due to the capitalization of commission fee due to the application of new accounting standards on the revenue by the Group during the Reporting Period.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group increased by 19.5% to RMB545.9 million in 2018 from RMB456.7 million in 2017, mainly due to the increase in bonus and average staff cost, resulting in an increased remuneration, as well as the Company's active development of new projects, resulting in increased relevant expenses.

Other operating expenses

During the Reporting Period, the Group recorded other operating expenses of RMB990.4 million, mainly because a total loss allowance of RMB902 million was recognised on loans provided to third parties, which was primarily related to loans provided to a number of companies indirectly owned by an individual (the "**Individual**") or guaranteed by the Individual, with an outstanding balance totalled RMB1,002 million as at 31 December 2018. Management's assessment resulting such significant increase in the credit risks of the above balances is after taking into account of the adverse report of an investigation involving the Individual in the PRC, the loss of contact with the Individual, the consequential uncertainty over the Group's ability to enforce the guarantees provided by the Individual, and the viability of realising the estimated value of other collaterals held by the Group against these outstanding loans balance. The Group granted the above loans mainly due to the following two reasons: (1) The Group was interested in cooperating with the borrowers for real estate and urban regeneration projects. Noting these projects were at early development stages and acknowledging the complexity and uncertainty, the Group did not wish to directly invest in these projects at the time, but would rather acquire the projects subsequently if they came to fruition. The Group decided to grant loans to the borrowers as working capital for the projects. The Group requested and obtained the guarantees provided by related parties and the Individual as credit enhancements. (2) In order to improve the Group's return on capital, the Group granted short-term loans to the borrowers in order to receive interest income. The Group had requested the Individual, who introduced the Group to the borrowers, to provide personal guarantees in favor of the Group.

Finance income

During the Reporting Period, finance income of the Group increased by 24.5% to RMB519.4 million in 2018 from RMB417.1 million in 2017, which was mainly attributable to the increase in interest income.

Finance costs

During the Reporting Period, finance costs of the Group increased by 53.5% to RMB550.8 million in 2018 from RMB358.9 million in 2017, which was mainly attributable to the negative impact of changes in the exchange rate of RMB against the United States dollar ("**US dollar**") during the Reporting Period on the Company's offshore bonds denominated in US dollar and the effect of loss on fair value change of the derivative component of the convertible bonds.

Income tax

During the Reporting Period, the income tax expenses of the Group decreased by 18.1% to RMB366.0 million in 2018 from RMB446.9 million in 2017.

Profit for the year

During the Reporting Period, the Group's profit for the year decreased by 71.4% to RMB242.8 million in 2018 from RMB848.7 million in 2017.

Loss attributable to equity shareholders of the Company

Due to the factors mentioned above, the loss attributable to equity shareholders of the Company was RMB30.0 million in 2018, while the profit attributable to equity shareholders of the Company was RMB593.1 million in 2017.

Working capital, financial and capital resources

Cash and cash equivalents

As at 31 December 2018, the Group had RMB2,588.6 million of cash and cash equivalents, representing a decrease of RMB2,065.6 million as compared to those as at 31 December 2017, mainly due to the increase in payment of land premium.

Current ratio, gearing ratio and net gearing ratio

As at 31 December 2018, the Group's current ratio decreased to 164.1% from 170.5% as at 31 December 2017. The Group's current assets increased from RMB42,074.9 million as at 31 December 2017 to RMB45,931.0 million as at 31 December 2018, while current liabilities increased to RMB27,988.9 million as at 31 December 2018 from RMB24,675.5 million as at 31 December 2017.

As at 31 December 2018, the Group's gearing ratio (calculated as total loans and borrowings divided by total assets) slightly increased to 48.3% from 48.0% as at 31 December 2017. Net gearing ratio (calculated as total loans and borrowings minus cash and cash equivalents and current restricted deposits, divided by total equity) increased by 30.0 percentage points to 261.6% from 231.6% as at 31 December 2017, which was mainly attributable to the increase in the total loans and borrowings.

Contingent liabilities

During the Reporting Period, the Group entered into agreements with certain banks to provide guarantees for the mortgage loans of purchases of its properties. As at 31 December 2018, the Group provided guarantees for mortgage loans in an aggregate amount of RMB7,266.6 million (31 December 2017: RMB6,562.9 million) to those banks in respect of such agreements.

Loans and borrowings and pledged assets

As at 31 December 2018, the Group had total loans and borrowings of RMB29,695.3 million, of which RMB10,419.8 million, RMB10,382.1 million, RMB8,503.4 million and RMB390.0 million are payable within one year or on demand, after 1 year but within 2 years, after 2 years but within 5 years and after 5 years, respectively. The Group's borrowings are denominated in Renminbi and US dollar, mostly with fixed interest rate. As at 31 December 2018, the Group had comprehensive credit facilities granted by bank and other financial institutions in an aggregate amount of RMB18,500.0 million, of which RMB16,515.9 million had not been utilized. The Group currently has no interest rate hedging policy. However, the management will monitor the interest rate risks and consider taking other necessary actions if any material risks are expected.

As at 31 December 2018, the Group had pledged properties and restricted deposits with a carrying value of RMB15,128.5 million (31 December 2017: RMB14,146.2 million) to secure banking facilities granted to the Group.

Capital commitment

As at 31 December 2018, the Group's contracted capital commitment for properties under development and investment properties under construction not provided for in the financial statements was RMB4,686.2 million (31 December 2017: RMB4,302.7 million). Approved but not contracted for capital commitment of the Group was RMB10,012.7 million as at 31 December 2018 (31 December 2017: RMB5,973.3 million).

Foreign exchange exposure

The Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China (the "**PBOC**") or other statutory institutions. The exchange rates adopted for foreign exchange transactions are those published by the PBOC and may be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currencies (depending on the foreign currency in which the Group's earnings are denominated) or must be conducted through the PBOC with government approval.

Nearly all of the Group's income and expenses are denominated in Renminbi, while certain bank deposits and loans are denominated in the Hong Kong dollar ("**HK dollar**") and US dollar. However, the operating cash flows and working capital of the Group have not been materially impacted by fluctuations in exchange rates. The Group currently does not hedge its foreign exchange exposure but may adopt hedging measures in the future.

Major investments, acquisitions and disposals

Acquisition of the entire equity interest of Tianjin Zhisheng Xinlian Trading Co., Ltd. (天津志晟新聯商貿有限公司) ("**Target Company**")*

The Target Company entered into an asset transfer agreement (the "**Transfer Agreement**") with Tianjin Wangdingdi Industry and Trade Group Co., Ltd.* (天津市王頂堤工貿集團有限公司) ("**Wangdingti Group**") in relation to the acquisition of all properties on the first and second floors of Lijin Building (the "**Target Properties**") at a total consideration of RMB40.0 million.

On 25 June 2018, Sunshine 100 Real Estate Group Co., Ltd.* ("**Sunshine 100 Group**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Mr. Zhu Zhi, Mr. Zhao Zhenping and the Target Company, pursuant to which, Sunshine 100 Group agreed to purchase, and Mr. Zhu Zhi and Mr. Zhao Zhenping agreed to sell the entire equity interest of the Target Company at nil cash consideration on the condition that Sunshine 100 Group shall provide guarantee for the payment obligations of the Target Company under the Transfer Agreement. For further details of the acquisition, please refer to the announcement of the Company dated 25 June 2018.

Prior to the acquisition, Tianjin Lijin Jiaye Real Estate Co., Ltd.* (天津麗津嘉業房地產有限公司), another wholly-owned subsidiary of the Company, had purchased from Wangdingdi Group all property interests of Lijin Building aside from the first and second floors at a consideration of RMB360.0 million.

As at the date of this report, the transactions contemplated under the agreements mentioned above have been completed.

Capital contribution and provision of shareholder's loan to Suzhou Langyida Enterprise Management Co., Ltd (蘇州琅壹達企業管理有限公司) (the "**Project Company**") and the respective grant or receipt of put and call options regarding equity interest in the Project Company*

On 27 June 2018, Sunshine 100 Group entered into the Joint Venture Agreement with Shanghai Youngor Property Development Co., Ltd.* (上海雅戈爾置業開發有限公司) ("**Shanghai Youngor**"), Ningbo Hongyi Equity Investment LLP* (寧波泓懿股權投資合夥企業(有限合夥)) ("**Ningbo Hongyi**") and the Project Company to jointly invest and develop the Yihao Building located at the southwest side of the intersection of Weijin South Road and Tianta Road in Nankai District, Tianjin City, PRC. Pursuant to the agreement, Sunshine 100 Group was required to make a capital contribution of RMB20.0 million to the registered capital of the Project Company and provide a loan of RMB200.65 million to the Project Company at the interest rate of 12% per annum. As at the date of this announcement, Sunshine 100 Group has made full payments for the capital contribution and shareholder's loan.

In addition, Shanghai Youngor and Ningbo Hongyi agreed to grant a call option to Sunshine 100 Group, pursuant to which Sunshine 100 Group shall have the right to request each of Shanghai Youngor and Ningbo Hongyi to sell 14.5% of its equity interest in the Project Company to the Sunshine 100 Group. Sunshine 100 Group also agreed to grant a put option to each of Shanghai Youngor and Ningbo Hongyi, pursuant to which Shanghai Youngor and Ningbo Hongyi shall have the right to request Sunshine 100 Group to acquire from Shanghai Youngor and Ningbo Hongyi all of its equity interest in the Project Company. The highest possible monetary value payable by Sunshine 100 Group, or by the Company pursuant to the guarantee with respect to the call and put options will not be more than RMB1,040 million. For details, please refer to the announcement of the Company dated on 27 June 2018.

As at the date of this report, Sunshine 100 Group, Shanghai Youngor and Ningbo Hongyi had not exercised any of the put and call options.

Acquisition of land use rights in Wuhan

On 5 September 2018, Wuhan Yihai Jiaye Real Estate Development Co., Ltd.* (武漢易海嘉業房地產開發有限公司) ("**Wuhan Yihai Jiaye**"), a wholly-owned subsidiary of the Company, successfully bid the land use rights of a piece of land located at Qixin Village, Zhifang Street, Jiangxia District, Wuhan, Hubei Province, the PRC, with a total site area of 125,028.90 square metres, for a consideration of RMB818.8 million. On 10 September 2018, Wuhan Yihai Jiaye entered into the state-owned construction land use rights grant contract (國有建設用地使用權出讓合同) with Wuhan Jiangxia District Land Resources and Planning Bureau. As at the date of this report, the transactions contemplated under the agreement mentioned above has been completed.

Loan agreement between Sunshine 100 Group and Wenzhou Zhongxin Haoyuan

On 17 December 2018, Sunshine 100 Group, as lender, entered into the Loan Agreement with Wenzhou Zhongxin Haoyuan Investment Co. Ltd. (溫州中信昊園投資有限公司) ("**Wenzhou Zhongxin Haoyuan**", a company owned as to 49% by Sunshine 100 Group), as borrower. Pursuant to the Loan Agreement, Sunshine 100 Group has agreed to provide a loan of no more than RMB600 million to Wenzhou Zhongxin Haoyuan at the interest rate of 12% per annum for a term of two years commencing from the drawdown date. The provision of such loan by the Company will help Wenzhou Zhongxin Haoyuan to accelerate its land development projects so that the land may be soon marketed and the Company could enjoy potential return from such loan. The Loan is secured by the guarantee provided by Chongqing Shihe Tongsheng Investment Co. Ltd.* (重慶世和同晟投資有限公司) and Sichuan Zhonghang Haoyuan Investment Co. Ltd. (四川中行昊園投資有限公司), both being wholly-owned by a substantial shareholder of a subsidiary of the Company.

Save as disclosed above, the Company had no other major investments, acquisitions or disposals during the Reporting Period.

Future plans for substantial investments or capital assets

As at the date of this report, there is no plan authorized by the Board for other substantial investments or additions of capital assets.

Human Resource

As at 31 December 2018, the Group employed a total of 4,472 employees (31 December 2017: 4,439 employees). The staff costs of the Group for the Reporting Period were RMB565.8 million (2017: RMB494.6 million). The Group has adopted a performance-based incentive system to motivate its staff. In addition to basic salaries, year-end bonuses are offered to staff with outstanding performance. In relation to staff training, the Group also provides various training programs to improve employees' skills and develop their respective expertise. Generally, salary will be determined based on the qualifications, position and experience of each employee. The Group has established a regular assessment mechanism to assess the performance of its employees. The assessment results are used as the basis for determining salary increment, bonuses and promotions. As required by laws and regulations in China, the Group makes contributions to mandatory social security funds such as pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and the housing provident fund for the benefit of its employees in China. During the Reporting Period, the Group made contributions in an aggregate of RMB37.6 million to the employee retirement scheme (2017: RMB30.5 million).

Age of the Group's employees is as follows:

Age	Number of employees
Below 30	1,637
30–50	2,761
Above 51	74

EVENTS AFTER THE REPORTING PERIOD

The Company has repurchased a total of 50,927,000 shares on the Stock Exchange from 31 December 2018 up to the date of this report, details of which are as follows:

Dates of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest
18 January 2019	29,754,000	HK$1.79	HK$1.36
22 January 2019	4,346,000	HK$1.68	HK$1.52
24 January 2019	2,727,000	HK$1.51	HK$1.46
25 January 2019	6,660,000	HK$1.64	HK$1.50
29 January 2019	1,658,000	HK$1.70	HK$1.65
31 January 2019	1,043,000	HK$1.69	HK$1.65
4 February 2019	1,235,000	HK$1.73	HK$1.70
19 February 2019	997,000	HK$1.59	HK$1.51
20 February 2019	995,000	HK$1.57	HK$1.54
21 February 2019	450,000	HK$1.58	HK$1.56
22 February 2019	733,000	HK$1.58	HK$1.56
25 February 2019	329,000	HK$1.59	HK$1.58

Save as disclosed herein, from 31 December 2018 up to the date of this report, no repurchase of shares (whether on the Stock Exchange or otherwise) had been made by the Company. The repurchased shares were cancelled on 27 March 2019.

Save as disclosed above, from 31 December 2018 to the date of this report, there were no events after the Reporting Period which have material effect on the Group.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Yi Xiaodi (易小迪), aged 55, formerly known as Yi Daichang (易代昌) is the Chairman of the Board of Directors of the Company, the pioneer founder, an executive Director, the Chief Executive Officer and the Chairman of the Company's nomination committee, and is in charge of the corporate strategy of the Group. Mr. Yi was appointed as an executive Director on 20 September 2007 and the Chief Executive Officer on 11 May 2018 by the Company, respectively. Mr. Yi has extensive experience in the real estate development industry in China. In 1992, Mr. Yi established Guangxi Vantone Enterprise Development Company in Guangxi, which established Guangxi Vantone in 1994. He established the "Sunshine 100" brand in 2000 through the development of the Sunshine 100 International Apartment project (陽光100國際公寓) in Beijing. He received an award for being a leader in real estate innovation in Beijing (北京地產創新領袖人物) from sina.com (新浪網) in 2003, an award for being one of China's influential persons during China's 10 years of transformation (改變中國十年影響力人物) by the Asian Living Environment Association (亞洲人居環境協會) and the Economic Observer (經濟觀察報) in 2004, an award for his outstanding contributions to creating a living environment in China (中國人居環境傑出貢獻人物榮譽稱號) by the China Real Estate and Residential Housing Research Association (中國房地產及住宅研究會) and the Chinese Environmental Protection Fund (中華環境保護基金會) in 2005, an award for outstanding contribution to the creation of value in cities in the real estate industry of China (創造城市價值中國地產年度卓越貢獻人物) by the Chinese Living Environment Committee (中國人居環境委員會) in 2006, an award named him a Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會), an award for special contribution for 2009 China urban commercial value (2009中國城市商業價值特殊貢獻人物) by China Federation of Urban Commercial Outlets Construction Administration (中國城市商業網點建設管理聯合會) and the International Real Estate Federation (國際不動產行業聯盟), an award named him an Influential Person of 2009 Lanchou Real Estate (2009年度藍籌地產影響力人物) by Lanchou Real Estate Media (藍籌地產傳媒) and Sina Leju (新浪樂居), an award for being one of the most respected entrepreneur of China in 2012 (2012年中國最受尊敬企業家) by Hurun Report (胡潤百富) and an award for being one of the top 10 annual persons in 2009 China brand real estate (2009品牌中國房地產十大年度人物) by China Brand Union Association (品牌中國產業聯盟) and China Real Estate Chamber of Commerce (全國工商聯房地產商會), and the "Special Promoting Award"on the 14th Venice Architectural Biennale paralleled with the first exhibition in Chinese Cities Hall (第十四屆威尼斯建築雙年展平行展暨中國城市館首展) in June 2014. Mr. Yi was appointed the lecturer for the outstanding alumni's series report course (《優秀校友系列報告》) from September 2006 to July 2011 by the Alumni Association of (北京師範大學校友會) Beijing Normal University. He was the vice executive chairman for the second session of the Guangxi Chamber of Commerce in Beijing (北京廣西企業商會) and a member of the Entrepreneurial Forum of Sohu (搜狐企業家論壇). He obtained a bachelor of science degree in geography from Beijing Normal University (北京師範大學) in July 1986 and a master's degree in economics from Renmin University of China (中國人民大學) in October 1989.

Mr. Fan Xiaochong (范小冲), aged 54, is an executive Director appointed by the Company on 20 September 2007. Mr. Fan was appointed as the Vice Chairman of the Board of Directors of the Company on 25 August 2016. He assists Mr. Yi Xiaodi in formulating the corporate strategies of the Group, takes charge of the development of the cultural creativity-based economy (新經濟文創) of the Company and provides assistance in respect of land acquisition, human resources and other matters of the Company. Since the establishment of Guangxi Vantone in 1994, Mr. Fan was engaged in the business and corporate strategy development of the Group. He was the deputy general manager of Guangxi Vantone from 1992 to 2003, the deputy general manager of Beijing Yinxin Guanghua Real Estate Development Co., Ltd. from 1999 to 2003, and has been the executive vice-president of Sunshine 100 Group from 2003 to August 2017. He received an award named Person of Outstanding Contribution of 2006 China Chuangyi Real Estate Annual Meeting (2006年中國創意地產年會卓越貢獻人物) in 2007 by Lanchou Real Estate Commentary (《藍籌地產評論》), sina.com (新浪網), College of Real Estate of Beijing Normal University (北師大不動產學院) and Chinese Living Environment Committee (中國人居環境委員會) and an award for outstanding contribution to China real estate (中國地產傑出貢獻人物獎) in 2010 by the Chinese Association of Urban Development and Public Relationship (中國城市發展暨公共關係協會). Mr. Fan obtained a bachelor of science degree in geography and a master of science degree in regional geography from Beijing Normal University (北京師範大學) in July 1986 and July 1989, respectively.

Non-executive Directors

Ms. Fan Xiaohua (范曉華), aged 76, is a non-executive Director appointed by the Company on 20 September 2007. Ms. Fan joined the Group as a member of the senior management of Guangxi Vantone in 1994. She has been a Director of the Group since August 2005 and was involved in the decision-making process and supervised internal audit of the Company. Ms. Fan served as head of the technology department, the deputy factory director and the factory director of Guangxi Nanning Chinese Medicine Pharmaceutical Factory (廣西南寧中藥廠) from 1979 to 1990, the chief deputy general manager of Nanning Pharmaceutical Group (南寧製藥企業集團) from 1991 to 1993 and has been the chairman and general manager of Guangxi Vantone Pharmaceutical Co., Ltd. (廣西萬通製藥有限公司) since 1993. Ms. Fan enjoys the life-long special allowance (終身享受國務院特殊津貼) which is an award granted by the State Council for experts and scholars who have outstanding contribution since 1993. She was honored as one of "Second Batch of Top Professional Talents in Nanning" (南寧市第二批專業技術拔尖人才) between 1991 and 1993. She obtained a bachelor's degree in medicine from Nanjing Pharmacy College (南京藥學院) (currently known as China Pharmaceutical University (中國藥科大學)) in August 1967.

Mr. Wang Gongquan (王功權), aged 57, was appointed as a non-executive Director of the Company on 1 August 2015. Mr. Wang served as a partner of IDG Technology Venture Investments, LP (IDG技術創業投資基金) from 1999 to 2005, the managing partner and senior partner of Beijing Dinghui Venture Investment Advisory Company Limited (北京鼎暉創新投資顧問有限公司) from 2005 to 2011, and an independent director of China Digital TV Holding Co., Ltd. (中華數位電視控股有限公司), a company listed on the New York Stock Exchange (NYSE: STV) from 2007 to 2010. Mr. Wang obtained a bachelor's degree in engineering with major in management engineering from Jilin University of Technology (吉林工業大學) (currently known as Jilin University (吉林大學)) in 1984.

Independent Non-executive Directors

Mr. Gu Yunchang (顧雲昌), aged 74, formerly known as Gu Yongchuang (顧勇闖) was appointed as our independent non-executive Director on 17 February 2014. Mr. Gu currently serves as the executive chairman of the National Real Estate Business Alliance and the deputy director of the Housing Policy Expert Committee of the Ministry of Housing and Urban-Rural Development and had also been the secretary-general of the China Real Estate Association from 1998 to 2006 and the vice president of the China Real Estate Research Association from 2006 to 2013.

Mr. Gu formerly served at different positions in the Ministry of Construction of the PRC, including the deputy director at Policy Research Centre of Ministry of Construction from 1988 to 1998; and the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction from 1982 to 1986.

Mr. Gu engaged in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of China's city and village residential construction techniques, carrying on a State key project "2000 China", and won the First Class National Science Technology Advance Award in China twice. After joining the China Real Estate Association in 1998, he has been involved in promoting the development of the China real estate industry as well as undertaking the research and analysis of the national real estate market. He is also the main organizer of the China Real Estate Market Report, an annual analysis report issued by the China Real Estate Association. Mr. Gu was an independent non-executive director of Shimao Property Holdings Limited (SEHK stock code: 813) from April 2006 to May 2011. Mr. Gu has been an independent non-executive director of Sino-Ocean Land Holdings Limited (SEHK stock code: 3377) from June 2007 to March 2017, an independent director of COFCO Property (Group) Co., Ltd. (SZSE stock code:000031) from April 2012 to June 2018, an independent non-executive director of CIFI Holdings (Group) Co. Ltd. (SEHK stock code: 884) since October 2012 and Jiayuan International Group Limited (SEHK stock code: 2768) since February 2017. Mr. Gu has also been an independent director of Zhejiang Yasha Decoration Co., Ltd. (SZSE stock code: 002375) since May 2013. Mr. Gu obtained his qualification as a senior urban planner in April 1988 and qualification as a researcher specializing in residence and real estate in December 1999, both of which were certified by the Ministry of Construction. Mr. Gu graduated from Tongji University and obtained a graduate certificate in Urban Planning in July 1966.

Mr. Ng Fook Ai, Victor (黃博愛), aged 71, is an independent non-executive Director appointed by the Company on February 17, 2014. Mr. Ng is the chairman of 1 Rockstead GIP Fund Limited and managed a number of China focused funds, including China Growth Opportunities Limited, a £50 million UK-listed fund that focuses on private equity investments in China. Mr. Ng was appointed as (i) a director and the chairman of audit committee of Asia Power Corporation Limited, a company listed on the main board of the Singapore Stock Exchange from 1999 to 2014; (ii) the chairman and a member of audit committee of Devotion Energy Group Limited, a company listed on the main board of the Singapore Stock Exchange from 2004 to 2014 ; and (iii) the chairman and a member of audit committee of My E.G. Services Bhd, a company listed on the main board of Bursa Malaysia from 2008 to 2017. Mr. Ng has been an independent director and the chairman of audit and risk committee of SB Reit Management Pte Ltd., a company listed on the main board of the Singapore Stock Exchange, since May 2015. He has been a director of Futsalarena@Yishun Limited, a company limited by guarantee established in Singapore since April 2016, an independent non-executive director of SHC Capital Asia Limited from April 2015 to December 2017, and a non-executive director of Cityneon Holdings Limited (stock code: 5HJ), a company listed in Singapore, from June 2016 to August 2017. Since January 2017, he has acted as the chairman of the board of directors of Caregiver Group Pte Ltd, a private limited company established in Singapore, and of SGMA Association Ltd, a non-profit company limited by guarantee established in Singapore. Mr. Ng has acted as a director of Sun Resources Holdings Pte Ltd, a private company limited established in Singapore, Star Publications (Singapore) Pte Ltd, a private company limited established in Singapore, and LI TV Asia Pte Ltd, since July 2017, August 2017 and September 2017, respectively. Mr. Ng was appointed as a director of The Place Holdings Limited (a company listed in Singapore), the chairman of the board of the directors of Millet Capital Private Limited and a non-executive director of SMJ International Holdings Ltd in January 2018, April 2018 and May 2018, respectively. Mr. Ng obtained a bachelor's degree in economics and a master's degree in economics from the University of London in 1976 and 1978, respectively. Mr. Ng is a fellow of the Chartered Management Institute, United Kingdom.

Mr. Wang Bo (王波), aged 60, was appointed as an independent non-executive director of the Company on 1 August 2015. Mr. Wang served as a researcher in the 1989 World Bank Annual Report team in 1988, and a researcher in the Financial Policy and Systems Division of the World Bank from 1988 to 1994. He worked at the investment management department of China Securities Market Research and Design Center (中國證券市場研究設計中心投資管理部) from 1994 to 1995, and served as the chief economist of Vantone Group (萬通集團) and Beijing Vantone Industrial Co., Ltd. (北京萬通實業股份有限公司) from 1995 to 1997. From 1997 to 2014, he worked at Accenture (China) Co., Ltd. (埃森哲(中國)有限公司) and successively served as, inter alia, a management consulting manager, a senior manager, a global partner of Accenture, the general manager of management consulting of Greater China, the managing director of the government and medical business department of Greater China and the managing director of Greater China. Mr. Wang is a permanent director of China Mergers & Acquisitions Association (中國併購公會) and had served as an executive director of China Mergers & Acquisitions Association, the vice chairman of the China Enterprise Confederation Management Advisory Committee (中國企業聯合會管理諮詢委員會) and the chairman of the appraisal committee of "China M&A Awards" (中國併購專項獎). Mr. Wang obtained a bachelor's degree in economics with major in fiscal and financial studies from the School of Finance of Renmin University of China (中國人民大學財政系) in 1984 and a master's degree in economics with major in financial theory and international economics from Department of Economics of the American University (美利堅大學經濟系) in the United States in 1993.

SENIOR MANAGEMENT

Mr. Yi Xiaodi (易小迪) is the Chief Executive Officer of the Group. For the biography of Mr. Yi, please refer to the sub-section headed "Executive Directors" above in this annual report.

Mr. Chen Shengjie (陳勝傑), aged 57, is the chief financial officer of the Group and the general manager of the financial center of the Group. He is responsible for the Group's financial affairs. Mr. Chen joined the Group prior to the end of December 2017. Mr. Chen served as the deputy head of the Commerce and Trade Audit Department (商貿司) under the National Audit Office of the People's Republic of China from 1986 to 1993, the assistant to general manager of China National Nonferrous Materials Corporation (中國有色金屬材料總公司) from 1993 to 1998, the chief accountant of China Chengtong Holdings Group Limited (中國誠通控股集團有限公司) from 1998 to 2004, the general manager of China Chengtong Resources Recycling Development & Utilization Company (中國誠通資源再生開發利用公司) from 2004 to 2014, an executive director of Yunfeng Financial Group Limited (雲鋒金融集團有限公司) (formerly known as Reorient Group Limited (瑞東集團有限公司)) from 2011 to 2014, the chairman of Zhongchang Big Data Corporation Limited (中昌大數據股份有限公司, formerly known as Zhongchang Marine Company Limited (中昌海運股份有限公司)) from 2014 to 2015. Mr. Chen graduated from Beijing Finance & Trade College with an undergraduate degree in business management and obtained an Executive Master of Business Administration from Tsinghua University.

Mr. Ding Gong (丁工), aged 51, is the vice president of the Group and the general manager of the operating center of the Group. He is responsible for branding, marketing and popularization of the Group. Mr. Ding joined the Group in September 2003 as the assistant to the project general manager of Nanning Sunshine 100 City Plaza project and was appointed as the manager of promotion department of the Group in July 2005, the manager of brand development department of the Group in January 2008, the brand director of the Group in February 2010, the assistant to the Chief Executive Officer from September 2011 to May 2017 and the vice president of the Group in May 2017. Prior to joining the Group, Mr. Ding was a tutor at Guangxi Nanning College of Education (廣西南寧教育學院) from October 1989 to January 1992 and a correspondent of Guangxi Nanning Radio Station (廣西南寧電台) from January 1992 to January 2003. Mr. Ding obtained a bachelor's degree in philosophy from Beijing Normal University (北京師範大學) in July 1989.

Mr. He Jie (賀傑), aged 57, is the assistant to the president, chief legal officer and joint company secretary of the Group. He is responsible for the Group's legal, administrative and information technology affairs. Mr. He joined the Group in June 2004 as legal counsel and deputy director general of the administrative office. He was appointed as administrative director general and legal counsel in January 2008, assistant to the president and chief legal officer in January 2014 and joint company secretary on 17 March 2017. Before joining the Group, Mr. He worked at Beijing Chongwen First Law Firm (北京崇文第一法律事務所) in economic, civil, patent and other practice areas as well as acting as corporate legal counsel from 1992 to 1993. He served as the vice chairman and general manager of Beijing Fubu International Economic Consulting Services Ltd. (北京服部國際經濟諮詢服務有限公司) from August 1993 to May 1996. Mr. He obtained a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1984 and then studied at the Graduate School of Salem State College, Massachusetts, U.S. from September 2002 to July 2003.

Mr. Mo Qingpan (莫輕潘), aged 50, is the chairman of Nanning City Company (南寧城市公司), Guilin Liyuan Project (桂林麗園項目) and Pingle Project of the Group. Mr. Mo joined the Group in March 2002 as the manager of construction department of Jinan Sunshine 100 International New Town project. He was appointed as the assistant to general manager of Liuzhou Sunshine 100 Classic Era project in April 2003, the general manager of Nanning Sunshine 100 Upper East Side International project in August 2005, the general manager of Guilin Sunshine 100 project in June 2009 and the general manager of Shenyang Sunshine 100 International New Town project and the general manager of Northern China Project Management Centre in February 2010. From May 2011 to August 2012, he also was the general manager of Yantai Sunshine 100 City Plaza Project. He served as the general manager of Southern China Project Management Centre from July 2015 to March 2018, the general manger of Guilin project from February 2016 to 11 March 2017, and the general manager of Nanning City Company from March 2018 to June 2018, respectively. He has been the chairman of Nanning City Company since June 2018 and the chairman of Guili Liyuan Project and of Pingle Project since September 2018, respectively. Prior to joining the Group, Mr. Mo worked for Bureau of Culture Affairs of Guangxi Heng County (廣西橫縣文化局) from August 1989 to November 1991 and People's Government of Guangxi Heng County Nanxiang Township (廣西橫縣南鄉鎮人民政府) from December 1991 to May 1993. He was the deputy director of People's Government of Guangxi Heng County (廣西橫縣人民政府辦公室) from July 1993 to November 1993 and the director of Administrative Office of Culture and Market of Guangxi Heng County (廣西橫縣文化市場管理辦公室) from December 1993 to November 1994 and the office director of Guangxi Institute of Fisheries (廣西水產研究所) from August 1996 to November 2001. Mr. Mo obtained a bachelor's degree in Chinese language and literature from Central University of Nationalities (中央民族大學) (formerly known as Central Institute of Nationalities (中央民族學院)) in June 1989. He also completed his undergraduate studies in politics and law at the Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in December 1998.

Mr. Wu Lei (吳雷), aged 47, is the general manager of the Central-South China Project Management Centre, Wuhan project, Wuhan Zhifang project (武漢紙坊項目)and Wenzhou City Company (溫州城市公司). Mr. Wu joined the Group in June 2002 as the manager of procurement department of Nanning Sunshine 100 City Plaza project and was appointed as the assistant to the general manager of Liuzhou Sunshine 100 Classic Era project in April 2003, the assistant to the general manager of Changsha Sunshine 100 International New Town project in January 2004, the general manager of Changsha Sunshine 100 International New Town project in April 2009 and the deputy general manager of Central-South China Project Management Centre in December 2011. He has served as the general manager of Yixing project, Chengdu project and Wuhan project since February 2016, March 2016, and July 2016, respectively. He had been the general manger of Wuxi Taihu new project from March 2017 to January 2018. Mr. Wu has been the general manager of Wenzhou City Company since February 2018 and the general manager of Wuhan Zhifang project since September 2018, respectively. Mr. Wu completed his undergraduate studies from Hubei University (湖北大學) in June 1997 and completed the advanced training courses in real estate innovative management from Tsinghua University (清華大學) in April 2009. He received a certificate as a mid-level financial analyst (中級金融師) from the Ministry of Personnel, PRC (中華人民共和國人事部) in November 2001. Mr. Wu Lei is the son of Ms. Fan, a non-executive Director of the Company.

Directors and Senior Management

Mr. Chen Meng (陳夢), aged 56, is the chairman of Guizhou Xingyi Project Division. Mr. Chen joined the Group as the executive director of Nanning Sunshine 100 Australian Garden in December 1998. He was appointed as the general manager of Jinan Sunshine 100 International New Town project in January 2002, the general manager of Southern China Project Management Centre in September 2009, and the vice president of the Group since September 2010. Mr. Chen also served as the principal of Putian Project from September 2018 to November 2018. Prior to joining the Group, Mr. Chen had served as a division head of Nanning Third Construction and Installation Co., Ltd. (南寧市三建建築安裝工程有限責任公司) from January 1991 to July 1992 and the chairman and general manager of Nanning Oriental Garden Property Co., Ltd. (南寧東方園物業有限責任公司) from October 1996 to November 1998. Mr. Chen obtained a professional diploma from University of South China (南華大學) (formerly known as Hunan Hengyang Technology Institute (湖南衡陽工學院) in July 1987.

Mr. Xie Jun (解君), aged 51, is the chairman of Property Holding Company (物業總公司). Mr. Xie joined the Group as the General Manager of Guangxi Vantone Market (廣西萬通商場) in 2000. He acted as the deputy general manager of Jinan project from September 2001 to December 2002, the deputy general manager of Tianjin project from January 2003 to October 2003, the Marketing Director of Sunshine 100 Group from March 2007 to August 2007, the deputy general manager of Wuxi project from August 2007 to May 2011, the deputy general manager of Yantai Yindu Real Estate Co., Ltd. from May 2011 to March 2012, the general manager and chairman of Dongying project from March 2012 to March 2015, Mr. Xie served as the general manager of Jinan project from January 2013 to May 2017 and of Northern China Project Management Center (華北項目管理中心) from July 2015 to January 2018. Mr. Xie has served as the chairman of Property Holding Company since January 2018. Prior to joining the Group, Mr. Xie worked at the Planning Office of Hainan Province (海南省計劃廳工作) from 1990 to 1992 and served as the department manager of Beihai Ocean Company (北海大洋公司) from 1992 to 1995. Mr. Xie graduated from Changzhou Vocational Institute of Engineering and obtained college diploma in Engineering and Electric in July 1989 and attended MBA course at Tianjin Nankai University since September 2014.

Mr. Zhang Xiaojun (張小軍), aged 48, is the general manager of Southern China Project Management Centre. Mr. Zhang joined the Group in 2016 as executive deputy general manager of Chongqing project. He served as the general manager of Chongqing project from June 2016 to January 2018, and has been serving as the general manager of Southern China Project Management Centre since January 2018. Prior to joining the Group, Mr. Zhang served as deputy director of the creative department at JWT, an advertisement company located in the United States of America from July 1992 to March 1998, director of the marketing department of Beijing Wanke Real Estate Company (北京萬科房地產公司) from April 1998 to December 2000, deputy general manager of Beijing Taihe Longmai Real Estate Company (北京太合龍脈房地產公司) from December 2000 to March 2002, deputy general manager of Beijing Houtu Real Estate Investment Company (北京厚土房地產投資公司) from April 2002 to June 2012, general manager of Shanxi Guoke Real Estate Company (山西國科房地產公司) from July 2012 to February 2016. Mr. Zhang obtained a bachelor's degree in psychology from Peking University in July 1992.

Mr. Lin Shaozhou (林少洲), aged 51, had been the Chief Executive Officer of the Group. Mr. Lin joined the Group in February 2016 and served as the vice president of the Group and the general manager of Chongqing New Town project and Chongqing Banan project. He served as the chief operating officer of the Group from April to August 2016 and the Chief Executive Officer of the Group from August 2016 to May 2018. Prior to joining the Group, Mr. Lin joined Wanke Group (萬科集團) in April 1991 and served as the director of the research office of Wanke Group from March 1992 to December 1994, the deputy general manager of Shanghai Wanke Real Estate Company (上海萬科房地產公司) from December 1994 to November 1996 and served as the general manager of Beijing Wanke Real Estate Company (北京萬科房地產公司) from November 1996 to January 2000. Mr. Lin served as chairman of Beijing Houtu Real Estate Development Co., Ltd (北京厚土房地產開發有限公司) from September 2002 to August 2016. Mr. Lin obtained a bachelor's degree in Social Science from Peking University in July 1989. Mr. Lin resigned on 11 May 2018.

JOINT COMPANY SECRETARY

Mr. He Jie (賀傑) was appointed as Joint Company Secretary of the Group on 17 March 2017. For the biography of Mr. He, please refer to the sub-section headed "Senior Management" above in this annual report.

Dr. Ngai Wai Fung (魏偉峰), aged 57, is the Company Secretary of the Company. Dr. Ngai currently is the director and Chief Executive Officer of SWCS Corporate Services Group (Hong Kong) Limited and is also a vice president of the Hong Kong Institute of Chartered Secretaries. Dr. Ngai has over 26 years' experience and knowledge in senior management and professional matters in listed companies, including IPO, Merger and Acquisition, corporate financing, internal control, governance and company secretary etc. Dr. Ngai is a fellow of the Hong Kong Institute of Chartered Secretaries and a fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom. He also is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Dr. Ngai obtained a Doctorate in Finance from the Shanghai University of Finance and Economics, a Master's degree in Corporate Finance from the Hong Kong Polytechnic University, a Master's degree in Business Administration (MBA) from Andrews University of the United States and a Bachelor's degree (Honours) in Law from the University of Wolverhampton, the United Kingdom.

Report of the Directors

The board of directors (the "**Board**") of the Company is pleased to present the directors' report together with the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 20 September 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands (the "**Companies Law**"). The Company's shares (the "**Shares**") became listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 March 2014 ("**Listing Date**") (the "**Listing**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in property and land development, property investment, property management and hotel operation and light-asset operation in China. An analysis of the Group's revenue for the year by principal activities is set out in note 2 to the financial statements.

The fair review, major risks and uncertainties in relation to the businesses of the Group, the performance of the Group during the year and the discussion and analysis on significant factors in relation to results and financial conditions are set out in the Chairman's Statement, Financial Review and Business Review of this annual report, respectively. The future development of the Group's businesses is discussed in different parts of this annual report, including the Chairman's Statement and the chapters regarding significant investments or capital assets of this annual report.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on pages 126 to 127 of this annual report.

SUBSIDIARIES

Details of the subsidiaries as at 31 December 2018 are set out in note 11 to the financial statements.

FINAL DIVIDENDS

The Board did not recommend payment of any final dividend for the year ended 31 December 2018.

FINANCIAL SUMMARY

A financial summary of the Group's results, assets and liabilities for the last five financial years are set out on pages 13 to 14 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$1,876.1 million. As at 31 December 2018, all proceeds raised have been applied in the manner consistent with that disclosed in the Company's prospectus dated 27 February 2014 (the "**Prospectus**").

USE OF NET PROCEEDS FROM ISSUE OF CONVERTIBLE BONDS

The Company issued 6.50% convertible bonds in principal amount of US$200,000,000 due 2021 on 11 August 2016 ("**2016 Convertible Bonds**"). The net proceeds from issue of 2016 Convertible Bonds were US$197.6 million which was intended to be used for refinancing of existing indebtedness and general corporate purposes. As at 31 December 2018, all proceeds have been utilised by the Company, among which, approximately 97.1%, i.e. US$191.8 million, has been utilised for the repayment of the principal and interest on loans and borrowings; and approximately 2.9%, i.e. US$5.8 million, has been utilised for general working capital.

The conversion price, originally at HK$3.69, shall be adjusted to HK$3.66 pursuant to condition 6(C)(vi)of the terms and conditions as a result of the issue of 235,055,000 new subscription shares to the subscriber at a price of HK$3.10 per subscription share on 28 December 2017 pursuant to the subscription agreement.

As at 31 December 2018, unpaid principal amount for 2016 Convertible Bonds was US$199,000,000. As calculated based on the conversion price of 2016 Convertible Bonds at HK$3.66 per share, a maximum of 421,733,196 Shares will be allotted and issued if the conversion rights attached to outstanding 2016 Convertible Bonds are fully exercised, representing approximately 16.14% of the then issued share capital of the Company on 31 December 2018 and approximately 13.18% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding 2016 Convertible Bonds and 2018 convertible bonds. The Directors of the Company have confirmed that the number of shares to be issued are within the scope of authorization to the Directors approved by shareholders at the annual general meeting of the Company held on 25 June 2018.

The Company also issued 4.8% convertible bonds in the principal amount of HK$750,000,000 due 2023 on 17 September 2018, ("**2018 Convertible Bonds**"). The net proceeds from issue of 2018 Convertible Bonds were HK$735.0 million which was intended to be used for refinancing of existing indebtedness and general corporate purposes. As at 31 December 2018, approximately HK$734.2 million has been utilised by the Company, among which, approximately 99.7%, i.e. HK$731.9 million, has been utilised for the repayment of the principal and interest on loans and borrowings; and approximately 0.3%, i.e. HK$2.3 million, has been utilised for general working capital.

As at 31 December 2018, unpaid principal amount for 2018 Convertible Bonds was HK$750,000,000. As calculated based on the conversion price of 2018 Convertible Bonds at HK$4.5 per share, a maximum of 166,666,666 Shares will be allotted and issued if the conversion rights attached to outstanding 2018 Convertible Bonds are fully exercised, representing approximately 6.38% of the then issued share capital of the Company on 31 December 2018 and approximately 5.21% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding 2016 Convertible Bonds and 2018 Convertible Bonds. The Directors of the Company have confirmed that the number of shares to be issued are within the scope of authorization to the Directors approved by shareholders at the annual general meeting of the Company held on 25 June 2018.

Set out below is the dilution effect on equity interest of the substantial shareholders of the Company:

	31 December 2018		Upon conversion of the 2016 Convertible Bonds in full at the conversion price of HK$3.66 per share		Upon conversion of the 2018 Convertible Bonds in full at the conversion price of HK$4.5 per share	
Substantial shareholders	Number of shares	Approximate percentage of issued shares	Number of shares	Approximate percentage of issued shares	Number of shares	Approximate percentage of issued shares
Joywise Holdings Limited	1,458,218,906	55.82%	1,458,218,906	48.06%	1,458,218,906	52.48%
Beyond Steady Limited	235,055,000	9.00%	235,055,000	7.75%	235,055,000	8.46%
Central New Ventures Limited	214,355,000	8.21%	214,355,000	7.07%	214,355,000	7.71%

On 31 December 2018, the Group recorded total net assets of RMB9,608 million, net current assets of RMB45,931 million and cash and cash equivalents of RMB2,589 million. So far as the Company is concerned, based on the financial positions of the Group, it is expected that the Company is able to meet its redemption obligations under the issued 2016 Convertible Bonds and 2018 Convertible Bonds whose conversion rights are not yet exercised.

Based on the implied internal rate of returns of 2016 Convertible Bonds, the Company's share prices at future dates at which it would be equally financially advantageous for the bonds holders to convert 2016 Convertible Bonds or have them redeemed were as follows:

Date	**Share price** *(HK$)*
31 December 2018	4.05 per share
11 August 2019 (on which the Company will redeem the whole or part of bonds held by any bonds holders at their option at 106.67% of the principal amount and interest accrued as of such date)	3.90 per share

PRINCIPAL RISKS AND UNCERTAINTIES

The following section lists out the principal risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the principal risk areas outlined below. Besides, this report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Policy and market risk

Substantially all of the Group's property portfolio is located in the PRC and all of the Group's revenue is derived from the PRC. As such, the Group is therefore subject to the risks associated with China's real estate market. The Group's operations in the PRC may be exposed to the risks of policy change, interest rate change, demand-supply imbalance and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations.

In order to better respond to the opportunities and challenges from the changes in policies, the Group maintained close communication with relevant authorities and carried out in-depth study on the policy direction. In addition to maintain growth by accelerating the development of existing products, in view that China has now started entering a mature period of real estate development, the proportion of sales from non-residential real estate products gradually picks up and governmental policies also shows greater support for the operation of rental housing and commercial properties, the Group will accelerating transformation by increasing the proportions of three core products, i.e. Commercial Street Complex, Himalaya Apartments and Arles Town projects, to fully capture the market opportunities.

Operation risk

The Group's operation is subject to a number of risk factors distinctive to property development and property related businesses. Default on the part of its buyers, tenants, sub-tenants and strategic business partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the Group's operational results and reputation.

The Group set up systems and policies to prevent accidents. In particular, various systems were established for management of quality, progress, safety, material and cost of project development with project management staff of regional and front-line companies monitoring project progress, construction quality and work site on a real-time basis. It conducted strict assessment on suppliers and implemented stringent control on construction changes, improved construction safety protection measures and set specific assessment indicators.

Capital risk

Property development is capital intensive. The Group finances its land acquisitions and property developments through a combination of internally generated funds and external financing. Its ability to obtain external financing in the future is subject to a variety of uncertainties, including the conditions of the financial markets and economic conditions in the PRC. If the Group fails to secure adequate financing or renew its existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on the business operations and financial condition of the Group.

Under the current challenging financial condition, the Group strengthened the centralized capital management to ensure the capital safety. We emphasized on active sales and timely return on investment and ensured reasonable investment based on the operation and financing plans, thereby achieving dynamic equilibrium of cash flow. Meanwhile, the Group also expanded and diversified the financing channels, actively facilitated financial innovation, consolidated financial resources and established an effective ecosystem of financial cooperation so as to respond to the market risk and meet the capital requirements for the Group's development.

Foreign currency risk

The Group mainly operates in the PRC and conducts its operations mainly in Renminbi. The currency risk of the Group was mainly arisen by loans and receivables in other currencies. The Group closely monitored the fluctuations of the Renminbi exchange rate and gave prudent consideration as to entering into any currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2018, the Group had not engaged in hedging activities for managing foreign currency risk.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, purchases from the Group's five largest suppliers accounted for 14.9% (2017: 13.6%) of the Group's total purchases and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

For the Reporting Period, the Group's sales to its five largest customers accounted for 1.0% (2017: 1.0%) of the Group's total revenue and sales to the five largest customers of the Group accounted for less than 30% of the Group's revenue in the year.

None of the directors of the Company (the "**Directors**")or any of their associates or any shareholders of the Company (the "**Shareholders**")(who, to the best of the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

RELATIONSHIP WITH CLIENTS AND SUPPLIERS

We are committed to maintaining sound relationship with customers and improving their satisfaction. By providing continuing training and putting forward strict requirements, our front-line receptionists, sales persons, and property management personnel, etc. are able to continuously promote the level of communication and service for customers. Also, we keep focusing on user experience, collect and respond to customers' feedback and therefore the Company and its brand remain to be highly recommended among customers.

We have adopted a just, fair and transparent purchasing system which enables us to obtain competitive price and terms and to avoid the impact of changes in prices of other regions or items. In general, we may purchase raw materials from different local suppliers, and we may obtain all sorts of raw materials from different sources to impair our reliance on one supplier. The time of payment provided by suppliers is subject to various factors, including our relationship with suppliers and the transaction scale.

The Group has a diversified customer base, majority of which are individual property buyers. The Directors consider that the Group is not reliant on any single customer. The largest supplier of the Group engages in property construction, with which the Group has had business relationship for over 4 years.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the Reporting Period are set out in note 9 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Company and the Group during the Reporting Period are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital for the Reporting Period are set out in note 26(c) to the financial statements. From 1 January 2018 to the date of this annual report, details of movements of share capital of the Company are as follows:

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 30 October 2018, the authorised share capital of the Company was increased from HK$30 million to HK$40 million by the creation of an additional 1,000,000,000 new Shares.

PROFESSIONAL TAX ADVICE RECOMMENDED

The Shareholders of the Company are advised to seek professional advice if they are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company.

RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out on pages 130 to 131 in the consolidated statement of changes in equity and in note 26(d) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, details of the reserves available for distribution of the Company are set out in note 26(a) to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2018 are set out in note 23 to the financial statements.

DIRECTORS

The Directors holding office from 1 January 2018 up to the date of this annual report were:

Executive Directors:

Mr. Yi Xiaodi *(Chairman) (appointed on 20 September 2007, and re-elected on 26 June 2017)*
Mr. Fan Xiaochong *(Vice Chairman) (appointed on 20 September 2007, and re-elected on 26 June 2017)*

Non-executive Directors:

Ms. Fan Xiaohua *(appointed on 20 September 2007, and re-elected on 25 June 2018)*
Mr. Wang Gongquan *(appointed on 1 August 2015, and re-elected on 28 June 2016)*

Independent non-executive Directors:

Mr. Gu Yunchang *(appointed on 17 February 2014, and re-elected on 25 June 2018)*
Mr. Ng Fook Ai, Victor *(appointed on 17 February 2014, and re-elected on 26 June 2017)*
Mr. Wang Bo *(appointed on 1 August 2015, and re-elected on 25 June 2018)*

According to articles 84(1) and 84(2) of the articles of association of the Company (the "**Articles of Association**"), Mr. Fan Xiaochong, Mr. Wang Gongquan and Mr. Ng Fook Ai, Victor will retire from office, and being eligible, have been recommended by the Board for re-election as Directors at the forthcoming Annual General Meeting ("**AGM**") to be held on 21 June 2019. The proposals for the re-election of the aforementioned Directors will be put forward at the forthcoming AGM.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 34 to 41 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from each of the independent non-executive Directors for the period from 1 January 2018 up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

None of the Directors has entered into any service contract with the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

For the details of the service contracts and the appointment letters of each of the Directors, please see the section headed "Corporate Governance Report" in this annual report.

DIRECTORS' SIGNIFICANT INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period, except for "Provision of loan to Yantai Shenghe by a subsidiary" disclosed in the sub-section headed "Connected Transactions" below.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

A remuneration committee of the Board (the "**Remuneration Committee**") was set up for reviewing the Group's emolument policy and remuneration structure of all the directors and senior management of the Group, having regard to salaries paid by comparable companies, time commitment and responsibilities and employment conditions of other positions in the Group. The remunerations of the Directors were determined by the Board with reference to the duties and responsibilities of the individual Directors, the performance of the Company and the prevailing market conditions, and after taking the advice from the Remuneration Committee.

The Company has adopted a share option scheme (the "**Share Option Scheme**") as incentive to eligible participants, details of which are set out in the sub-section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 6 and 7 to the financial statements.

No Director has waived or has agreed to waive any emoluments during the Reporting Period.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

From 1 January 2018 and up to the date of this annual report, change in the information that is required to be disclosed and has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules was as follows:

Mr. Ng Fook Ai, Victor resigned as a director and chairman of audit committee of Asia Power Corporation Limited (a company listed on the main board of the Singapore Stock Exchange) on 23 June 2014.

Mr. Ng Fook Ai, Victor resigned as the chairman and a member of audit committee of Devotion Energy Group Limited (a company listed on the main board of the Singapore Stock Exchange) on 31 March 2014.

Mr. Ng Fook Ai, Victor resigned as the chairman and a member of audit committee of My E.G. Services Bhd (a company listed on the main board of Bursa Malaysia) on 7 December 2017.

Mr. Ng Fook Ai, Victor was appointed as a director of The Place Holdings Limited (a company listed in Singapore) on 31 January 2018.

Mr. Ng Fook Ai, Victor was appointed as a director and the chairman of the board of directors of Millet Capital Private Limited on 16 April 2018.

Mr. Ng Fook Ai, Victor was appointed as the non-executive chairman of SMJ International Holdings Ltd (a company listed in Singapore) on 14 May 2018.

Mr. Lin Shaozhou resigned as the Chief Executive Officer, and Mr. Yi Xiaodi was appointed as the Chief Executive Officer on 11 May 2018.

Mr. Gu Yunchang resigned as an independent director of COFCO Property (Group) Co., Ltd. (SZSE stock code:000031) on 13 June 2018.

Save as disclosed above, there is no other information in respect of the Directors and the Chief Executive Officer required to be disclosed under Rule 13.51B(1) of the Listing Rules.

RELATIONSHIP WITH EMPLOYEES

We believe that employees are the most valuable asset of the Group, and our human resources management aims to recognise and give back to our employees' contribution. By means of providing competitive remuneration and implementing appraisal system with appropriate incentives as well as providing adequate training and opportunities, we endeavor to promote the career development of the Group's employees. Approximately 218 employees have been serving for the Group for over 10 years.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests or short positions of Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"))(i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(i) Interests in the Company

Name of Director	Capacities in which interests are held	Interests in Shares	Approximate percentage of issued share capital of the Company	Notes
Yi Xiaodi	Person acting in concert Founder of a discretionary trust	1,693,273,906(L)	64.82%	1, 2 and 3
Fan Xiaochong	Person acting in concert Founder of a discretionary trust	1,693,273,906(L)	64.82%	1, 2 and 4
Fan Xiaohua	Person acting in concert Founder of a discretionary trust	1,693,273,906(L)	64.82%	1, 2 and 5

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) 40% of the issued share capital of Joywise is held by Ming Fai International Limited ("**Ming Fai**") and 60% of the issued share capital of Joywise is held by Harvest Well Holdings Limited ("**Harvest Well**"). Both Ming Fai and Harvest Well are deemed under the SFO to be interested in the Shares held by Joywise. 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited. In light of the above, Fantasy Races Limited is deemed under the SFO to be interested in the Shares held by Joywise.

(3) Mr. Yi Xiaodi is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Yi Xiaodi, his family members and other persons who may join in from time to time (the "**Yi Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Fantastic Magician Limited is interested in.

Mr. Yi Xiaodi is also one of the founders of the discretionary investment collective trust established by Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua, Mr. Jin Xiangfei, Ms. Liu Chaohui, Mr. Tian Feng, Mr. Li Mingqiang (the "**Individual Controlling Shareholders**"), the discretionary beneficiaries of which are the Individual Controlling Shareholders and other persons who may join in from time to time (the "**Sunshine Trust I**"). By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Yi Xiaodi is one of the parties to each of the concert party agreement dated 12 August 2010 entered into between Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua and Mr. Liao Chimei (the "**2010 Agreement**") and the concert party agreement dated 1 August 2013 entered into among the Individual Controlling Shareholders (the "**2013 Agreement**"). By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Yi Xiaodi is deemed under the SFO to be interested in the Shares held by Joywise.

(4) Mr. Fan Xiaochong is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Fan Xiaochong, his family members and other persons who may join in from time to time (the "**FXC Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which True Passion Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of the Sunshine Trust I. By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of a discretionary collective trust established by the Individual Controlling Shareholders, the discretionary beneficiaries of which are three persons and other persons who may join in from time to time (the "**Sunshine Trust II**"). By virtue of the SFO, he is deemed to be interested in the Shares which Floral Crystal Limited is interested in.

Mr. Fan Xiaochong is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Fan Xiaochong is deemed to be interested in the Shares held by Joywise under the SFO.

(5) Ms. Fan Xiaohua is the founder of a discretionary family trust, the discretionary beneficiaries of which are Ms. Fan Xiaohua, her family members and other persons who may join in from time to time (the "**FXH Family Trust**"). By virtue of the SFO, she is deemed to be interested in the Shares which Glorious Glory Limited is interested in.

Ms. Fan Xiaohua is also one of the founders of the Sunshine Trust I. By virtue of the SFO, she is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Ms. Fan Xiaohua is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Ms. Fan Xiaohua is deemed under the SFO to be interested in the Shares held by Joywise.

(ii) Interests in associated corporations

Name of Director	Capacities in which interests are held	Name of associated corporation	Interests in Shares	Percentage of shareholding	Notes
Yi Xiaodi	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	1
Fan Xiaochong	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	2
Fan Xiaohua	Person acting in concert Founder of a discretionary trust	Harvest Well	50,000	100%	3
Yi Xiaodi	Person acting in concert Founder of a discretionary trust	Joywise	50,000	100%	4
Fan Xiaochong	Person acting in concert Founder of a discretionary trust	Joywise	50,000	100%	5
Fan Xiaohua	Person acting in concert Founder of a discretionary trust	Joywise	50,000	100%	6
Yi Xiaodi	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	1
Fan Xiaochong	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	2
Fan Xiaohua	Person acting in concert Founder of a discretionary trust	Ming Fai	50,000	100%	3

Notes :

(1) Please refer to Note 3 in the sub-section above headed "(i) Interest in the Company".

(2) Please refer to Note 4 in the sub-section above headed "(i) Interest in the Company".

(3) Please refer to Note 5 in the sub-section above headed "(i) Interest in the Company".

(4) Please refer to Notes 2 and 3 in the sub-section above headed "(i) Interest in the Company".

(5) Please refer to Notes 2 and 4 in the sub-section above headed "(i) Interest in the Company".

(6) Please refer to Notes 2 and 5 in the sub-section above headed "(i) Interest in the Company"

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other corporate body.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

Name of Shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
Joywise	Beneficial owner	1,693,273,906(L)	64.82%	1,2
Ming Fai	Interest of a controlled corporation	1,693,273,906(L)	64.82%	1,3
Harvest Well	Interest of a controlled corporation	1,693,273,906(L)	64.82%	1,4
Fantasy Races Limited	Interest of a controlled corporation	1,693,273,906(L)	64.82%	1,5
Jin Xiangfei	Person acting in concert Founder of a discretionary trust	1,693,273,906(L)	64.82%	1,6
Liu Chaohui	Person acting in concert Founder of a discretionary trust	1,693,273,906(L)	64.82%	1,7
Tian Feng	Person acting in concert Founder of a discretionary trust	1,693,273,906(L)	64.82%	1,8
Li Mingqiang	Person acting in concert Founder of a discretionary trust	1,693,273,906(L)	64.82%	1,9
Cititrust Private Trust (Cayman) Limited	Trustee Interest of a controlled corporation	1,693,273,906(L)	64.82%	1,10
Beyond Steady Limited	Beneficial owner	235,055,000(L) 235,055,000(S)	9.00% 9.00%	1,11
	Person having a security interest in shares	324,335,000(L)	12.42%	
Huarong International Financial Holdings Limited	Interest of a controlled corporation	559,390,000(L) 235,055,000(S)	21.41% 9.00%	1,11
China Huarong Asset Management Co., Ltd.	Interest of a controlled corporation	559,390,000(L) 235,055,000(S)	21.41% 9.00%	1,11

Name of Shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
CITIC Securities Company Limited	Interest of a controlled corporation	95,974,400(L)	3.67%	1,12
		155,958,400(S)	5.97%	
Central New Ventures Limited	Beneficial owner	214,355,000(L)	8.21%	1,13
Shanghai Libo Investment Center (LP)	Interest of a controlled corporation	214,355,000(L)	8.21%	1,13
Beijing Fudingxin Investment and Management Co., Ltd.	Interest of a controlled corporation	214,355,000(L)	8.21%	1,13
FDH Private Equity Investment Fund Management (Tianjin) Co.,Ltd.	Interest of a controlled corporation	214,355,000(L)	8.21%	1,13

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The Letter "S" denotes the person's short position in the Shares.

(2) Joywise holds 64.82 % of the issued share capital of the Company, including 9% of derivative interests.

(3) 40% of the issued share capital of Joywise is held by Ming Fai. Ming Fai is deemed to be interested in the Shares held by Joywise under the SFO.

(4) 60% of the issued share capital of Joywise is held by Harvest Well. Harvest Well is deemed to be interested in the Shares held by Joywise under the SFO.

(5) 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited.

In light of the above and notes 2 and 3, Fantasy Races Limited is deemed to be interested in the Shares held by Joywise under the SFO.

(6) Mr. Jin Xiangfei is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Jin Xiangfei, his family members and other persons who may join in from time to time (the "**Jin Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Creative Goal Limited is interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

Mr. Jin Xiangfei is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. In light of the above and the other notes, Mr. Jin Xiangfei is deemed to be interested in the Shares held by Joywise under the SFO.

(7) Ms. Liu Chaohui is the founder of a discretionary family trust, the discretionary beneficiaries of which are Ms. Liu Chaohui, her family members and other persons who may join in from time to time (the "**Liu Family Trust**"). By virtue of the SFO, she is deemed to be interested in the Shares which Butterfly Fairy Limited is interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

Ms. Liu Chaohui is one of the parties to the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to that agreement are interested in. In light of the above and the other notes, Ms. Liu Chaohui is deemed under the SFO to be interested in the Shares held by Joywise.

(8) Mr. Tian Feng is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Tian Feng, his family members and other persons who may join in from time to time (the "**Tian Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Happy Sunshine Limited is interested in.

Mr. Tian Feng is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Tian Feng is deemed to be interested in the Shares held by Joywise under the SFO.

(9) Mr. Li Mingqiang is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Li Mingqiang, his family members and other persons who may join in from time to time (the "**Li Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Ultimate Triumph Investments Limited is interested in.

Mr. Li Mingqiang is one of the parties to the 2013 Agreement. By virtue of the SFO, he is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Li Mingqiang is deemed to be interested in the Shares held by Joywise under the SFO.

(10) Cititrust Private Trust (Cayman) Limited (the "**Trustee**") is the trustee under the Yi Family Trust, the FXC Family Trust, the FXH Family Trust, the Jin Family Trust, the Tian Family Trust, the Liu Family Trust, the Li Family Trust, the Sunshine Trust I and the Sunshine Trust II. For details of these trusts, see "History, Reorganization and Group Structure – Establishment of Offshore Trusts" from page 121 to page 122 of the Prospectus ("**Prospectus**").

In light of the above and notes 2 and 3, the Trustee is deemed to be interested in the Shares held by Joywise under the SFO.

(11) 100% of the equity interests of Beyond Steady Limited are directly or indirectly held by Huarong International Financial Holdings Limited and China Huarong Asset Management Co., Ltd. respectively. Therefore, Huarong International Financial Holdings Limited and China Huarong Asset Management Co., Ltd. are deemed to be interested in the Shares held by Beyond Steady Limited under the SFO.

(12) 100% of the equity interests of CSI Capital Management Limited are indirectly held by CITIC Securities Company Limited. Therefore, CITIC Securities Company Limited is deemed to be interested in the Shares held by CSI Capital Management Limited under the SFO.

(13) 60% of the equity interest of Central New Ventures Limited is held by Shanghai Libo Investment Center (LP). Beijing Fudingxin Investment and Management Co., Ltd., wholly owned by FDH Private Equity Investment Fund Management (Tianjin) Co., Ltd., is the general partner of Shanghai Libo Investment Center (LP). Therefore, Shanghai Libo Investment Center (LP), Beijing Fudingxin Investment and Management Co,Ltd and FDH Private Equity Investment Fund Management (Tianjin) Co.,Ltd. are deemed to be interested in the Shares held by Central New Ventures Limited under the SFO.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No controlling shareholders (as defined in the Listing Rules) or its subsidiary had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Issue of US$165.0 million 8.5% senior notes due 2020

On 6 February 2018, the Company, offshore subsidiaries of the Company providing guarantees for the notes and the initial purchasers (including Haitong International Securities Company Limited ("**Haitong International**"), Orient Securities (Hong Kong) Limited ("**Orient Securities (HK)"**), Guotai Junan Securities (Hong Kong) Limited ("**Guotai Junan International**"), China Industrial Securities International Brokerage Ltd. ("**China Industrial Securities International**"), Yue Xiu Securities Company Limited ("**Yue Xiu Securities**") and CCB International Capital Limited ("**CCB International**") entered into a subscription agreement in relation to the issue of US$165.0 million 8.5% senior notes due on 27 September 2020. Haitong International, Orient Securities (HK), Guotai Junan International, China Industrial Securities International, Yue Xiu Securities and CCB International were the joint global coordinators, joint lead managers and joint bookrunners in connection with the issue of the notes. At any time on or after 27 September 2019, the Company may redeem the notes, in whole or in part, at a redemption price of 104.25% of the principal amount of the notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. The net proceeds received by the Company amounted to US$168.1 million and is deployed for the repayment of certain of existing indebtedness and for general corporate purposes. The notes were listed on The Singapore Exchange Securities Trading Limited on 14 February 2018. For details, please refer to the announcements of the Company dated 7 February 2018 and 21 September 2017.

Issue of HK$750.0 million 4.8% convertible bonds due 2023

On 17 September 2018, the Company and Haitong International entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue, and Haitong International has conditionally agreed to subscribe, or procure subscribers to subscribe, the convertible bonds in an aggregate principal amount of HK$750.0 million, with interest of 4.8% per annum and payable semi-annually. The convertible bonds are convertible into shares of HK$0.01 each in the issued share capital of the Company at an initial conversion price of HK$4.50 per share (subject to adjustments). Assuming full conversion of the convertible bonds at the initial conversion price, the convertible bonds will be convertible into 166,666,666 shares. The Company may at any time from 3 October 2021 to 3 October 2023 redeem the bonds in whole for the time being outstanding at a redemption price equal to 100% of the principal amount of the bonds together with interest accrued to the date fixed for redemption. The issuance of such convertible bonds will facilitate the overall development and expansion of the Company. As at the date of this announcement, the holders of the convertible bonds have not exercised the conversion rights. The bonds were listed on The Singapore Exchange Securities Trading Limited on 4 October 2018. For details, please refer to the announcement of the Company dated 18 September 2018.

Issue of US$170.0 million 10.5% senior notes due 2021

On 28 November 2018, the Company, offshore subsidiaries of the Company providing guarantees and the initial purchasers (including Haitong International, CCB International and Yue Xiu Securities) entered into a subscription agreement in relation to the issue of US$170.0 million 10.5% senior notes due on 5 December 2021. Haitong International, CCB International and Yue Xiu Securities were the joint global coordinators, joint lead managers and joint bookrunners in connection with the issue of the notes. At any time on or after 5 December 2020, the Company may redeem the notes, in whole or in part, at a redemption price of 105.25% of the principal amount of the notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. The net proceeds received by the Company amounted to approximately US$169.0 million and is deployed for the repayment of certain of existing indebtedness and for general corporate purposes. The notes were listed on The Singapore Exchange Securities Trading Limited on 6 December 2018. For details, please refer to the announcement of the Company dated 29 November 2018.

Save as disclosed above, during the Reporting Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law or the laws of the Cayman Islands where the Company was incorporated which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

NON-COMPETITION UNDERTAKING

Each of the Individual Controlling Shareholders, Joywise, Ming Fai, Harvest Well (together with the Individual Controlling Shareholders, the "**Controlling Shareholders**") has, under the deed of non-competition dated 17 February 2014 (the "**Deed of Non-Competition**"), undertaken and covenanted with the Company that for so long as they and/or their respective associates (as defined in the Listing Rules), directly or indirectly, whether individually or taken together, remain the Controlling Shareholders of the Company, each of them will not, and will procure his associates not to directly or indirectly, (including through any controlled company, associate, corporate body, partnership, joint venture or other contractual arrangement) carry on, engage, invest, participate or otherwise be interested in the property development business in the PRC.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the Deed of Non-Competition for disclosure in this annual report during the Reporting Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2018, none of the Directors (other than independent non-executive Directors) or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competed or might compete with the businesses of the Group.

CONNECTED TRANSACTIONS

The connected transactions of the Group during the Reporting Period are as follows:

Provision of loan to Yantai Shenghe by a subsidiary

On 12 December 2018, Wuxi Nonglin Co., Ltd. ("**Wuxi Nonglin**", a wholly-owned subsidiary of the Company, entered into the Loan Agreement with Yantai Shenghe Department Store Co., Ltd ("**Yantai Shenghe**"), pursuant to which Wuxi Nonglin has agreed to provide a loan of RMB117.5 million to Yantai Shenghe at the interest rate of 12% per annum for a term of one year. Yantai Shenghe is an associate of each of Ms. Fan Xiaohua and Ms. Liu Chaohui, hence a connected person of the Company under Chapter 14A of the Listing Rules. The entering into of the Loan Agreement is subject to the reporting and announcement requirements but is exempt from circular (including independent financial advice) and independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules. Ms. Fan Xiaohua and Ms. Liu Chaohui has provided guarantee for Yantai Shenghe's payment obligations under the Loan Agreement. In addition, the sole shareholder of Yantai Shenghe, Guangxi Jiaxiang Investment Management Company Limited (廣西嘉祥投資管理有限公司), has pledged all its equity interest in Yantai Shenghe in favour of Wuxi Nonglin to secure Yantai Shenghe's obligations under the Loan Agreement.

The Loan Agreement was agreed by Wuxi Nonglin and Yantai Shenghe after arm's length negotiations and on normal commercial terms and in the ordinary and usual course of business of the Group, and the transactions contemplated thereunder and the Loan Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors believe that the provision of the Loan to Yantai Shenghe provides a good foundation for future business cooperation between Yantai Shenghe and the Group. Further, the loan provided to Yantai Shenghe by the Company is fair and reasonable and yields a good return to the Company. For details, please refer to the announcements of the Company dated 12 December 2018, 24 December 2018 and 28 December 2018.

Loan agreement between Sunshine 100 Group and Wenzhou Zhongxin Haoyuan

For details of the transaction, please refer to the section "Major investments, acquisitions and disposals". Wenzhou Zhongxin Tower Construction and Development Co. Ltd. is a subsidiary of the Company which is owned as to 51% by Sunshine 100 Group and as to 49% ultimately owned by Chongqing Shihe Hengye Dichan Group Co., Ltd. ("**Shihe Hengye**"). Shihe Hengye ultimately holds 51% of Wenzhou Zhongxin Haoyuan, and the remaining 49% is owned by Sunshine 100 Group. Wenzhou Zhongxin Haoyuan is therefore an associate of a substantial shareholder of a subsidiary of the Company, and hence a connected person of the Company at the subsidiary level. As Wenzhou Zhongxin Haoyuan is connected person at the subsidiary level of the Company; the Loan has been approved by the Board and the independent non-executive Directors have confirmed that the terms of the Loan are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Loan is exempt from the circular, independent financial advice and shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules. The Guarantee provided by Chongqing Shihe Tongsheng Investment Co. Ltd. and Sichuan Zhonghang Haoyuan Investment Co. Ltd. (both being wholly-owned by Shihe Hengye) are financial assistance received by the Company on normal commercial terms or better and not secured by the Company's assets, such transactions are fully exempt by virtue of Rule 14A.90 of the Listing Rules. For details, please refer to the announcement of the Company dated 17 December 2018.

The Group engages in property development in China, which is a business operation that requires external funding. In addition to traditional bank loans, developers in China may obtain other funding from trust finance companies by pledging their equity interests in project companies and lands. As at 31 December 2018, the Group had entered into certain lending facility arrangements with connected persons in the ordinary course of business. Such lending facility arrangements involved the provision of financial assistance by connected persons which are not exempt from the requirements in relation to connected transactions under the Listing Rules pursuant to Rule 14A.90 of the Listing Rules and are required to be disclosed in this annual report in compliance with the conditions of waivers previously granted by the Stock Exchange. For details of such arrangements, please see paragraphs 16 to 17 under the section headed "Connected Transactions" in the Prospectus.

Save as disclosed above, a summary of significant related party transactions, which do not constitute (or are fully exempt) connected transactions or continuing connected transactions, made during the Reporting Period is disclosed in note 30 to the financial statements. During the year, the Company has complied with the requirements in Chapter 14A of the Listing Rules.

LITIGATION RELATED TO CHENGDU PRIMARY LAND DEVELOPMENT PROJECT

In 2005 and 2007, the Group entered into a series of co-operation agreements with Chenghua District, Chengdu and government authorities under it to conduct primary development of a parcel of land located in the district. Pursuant to these co-operation agreements, the Group was responsible for providing assistance to the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land. It was agreed that if the land is sold at a premium greater than the cost the Group have incurred to prepare it and if the Group win the bid at the auction, the Group will be entitled to deduct its incurred cost from the land premium to be paid; if, however, another developer wins the bid at the auction, the local government shall, within seven days it receives the land premium from the purchaser, pay the same to the Group (after deduction of an agreed fixed amount as the government's share of the profit from the land sale).

The project consists of four phases with site areas of approximately 244,361 square metres, 59,967 square metres, 14,667 square metres and 109,334 square metres respectively. Phase I was completed and the underlying land was sold through a public auction to a third party in July 2007. The land premium was paid to the Chenghua district government in 2008, and it began to make payments to the Group pursuant to the co-operation agreements with the Group. The Group cumulatively received approximately RMB1,927.0 million from the Chenghua district government out of such land premium proceeds. A remaining land premiums that the Group are entitled to, in the amount of RMB581.1 million, however, remained unpaid and stayed on the Group's balance sheet as an overdue trade receivable.

On 28 January 2015, the Group commenced proceedings at the Sichuan Higher People's Court (the "**Higher Court**") against the Government of Chenghua District, Chengdu and Reconstruction and Development Office of Dangerous Buildings of Chenghua District, Chengdu (成都市成華區危房改造開發辦公室), for the payment of the Land clearance income and the management fees of RMB15 million, which totaled RMB596.1 million (the "**Case**").The High Court accepted the case on 10 February 2015 and commenced the court session for the case in June 2015.

During the trial of the Case, the Group had negotiated with the Government of Chenghua District for several times in the hope of reaching a settlement. As part of the settlement agenda, the Group filed an application for withdrawal of the Case (the "**Withdrawal Application**") to the Higher Court on 24 July 2018, and the Higher Court has accepted and approved the Withdrawal Application. Both parties wish to reach a settlement agreement in respect of the Case and determine the amount of settlement as soon as possible. As at the date of this report, both parties had not reached a settlement agreement in respect of the Case. The Company will publish relevant announcements on the website of the Stock Exchange and the Company's website when there is any material development in respect of the case.

PROGRESS ON INVESTMENT IN TRUST UNITS ISSUED BY BEIJING INTERNATIONAL TRUST CO., LTD.(THE "TRUSTEE")

On 24 January 2018, the Trustee filed a writ against Shaan'xi Jinyuan Napa Property Development Co., Ltd. (the "**Target Company**"), Napa Property Development Group Co., Ltd. ("**Napa Property**"), and Shaan'xi Jinyuan Investment Holding Group Co., Ltd ("**Shaan'xi Jinyuan**"). The Group was not a party to the lawsuit. The Trustee, Shaan'xi Jinyuan, Napa Property and the Target Company shall collectively be referred to as the "Parties". The Trustee sued Shaan'xi Jinyuan, Napa Property and the Target Company for the debts caused by their failure to fulfill the obligations under certain agreements between the Parties (the "**Dispute**"). As at 31 March 2018, the debts, including the principal and other payments, amounted to a total sum of approximately RMB874,704,183 (the "**Debts**"). On 29 June 2018, the Parties entered into a settlement agreement in relation to, among other things, settlement of the Debts and the transfer of the remaining equity interest in the Target Company held by Shaan'xi Jinyuan and Napa Property to the Trustee or its designated party (the "**Equity Transfer**") (the "**Settlement Agreement**"). The Beijing Higher People's Court issued a written civil mediation agreement in relation to the Dispute on 17 July 2018, and the Parties have confirmed and agreed to execute the civil mediation agreement. On 19 July 2018, the Trustee gave a written notice to the Group pursuant to the Subscription Agreement and the Trust Agreement, notifying the Group that it will distribute all equity interest in the Target Company to the Group on 19 July 2018 (the "**Equity Interest Distribution**") and register the relevant equity interest under the name of the Group. Upon completion of the Equity Interest Distribution on 19 July 2018, the Target Company became a wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial statements. On 19 July 2018, upon completion of the above Equity Interest Distribution, Beijing Trust – Fortune No. 24 (Xi'an Napa Project) Fund Trust (the "**Trust**") holds the principal and other payments of creditor's rights in a total amount of approximately RMB779,455,350. The Trustee terminated the Trust on 30 September 2018, and liquidated the Trust by distributing to the Group creditor's rights of the Target Company pursuant to the Subscription Agreement on 30 September 2018. For details, please refer to the announcement of the Company published on 19 July 2018.

LITIGATION RELATED TO LOAN GRANTED BY SUNSHINE 100 GROUP

Sunshine 100 Group, as plaintiff, filed a lawsuit against Guizhou Wanfenggu Eco-cultural Tourism Development Co., Ltd.*(貴州萬峰谷生態文化旅遊發展有限公司) ("Guizhou Wanfenggu") before the No. 3 Intermediate People's Court of Beijing Municipality (北京市第三中級人民法院) for a dispute arising from a guarantee contract, and received the Case Acceptance Notice issued by the No. 3 Intermediate People's Court of Beijing Municipality on 30 January 2019 with the case number [2019] Jing 03 Min Chu No. 126. The lawsuit relates to a loan in the principal amount of RMB230 million granted by Sunshine 100 Group to Shenzhen Xinchengcan Investment Co., Ltd.* (深圳市新城燦投資有限公司) and a guarantee provided by Guizhou Wanfenggu in respect of the abovementioned debt obligation. Upon maturity of the loan, the borrower failed to repay RMB120 million out of the loan principal and interest accrued thereon, and Guizhou Wanfenggu failed to perform its guarantee. In view of this, Sunshine 100 Group filed a lawsuit before the court, demanding Guizhou Wanfenggu to repay the outstanding loan principal of RMB120 million together with accrued interest plus overdue payment penalty (up to the date of full repayment of the principal and interest accrued on the loan). For details, please refer to the announcement dated 1 February 2019 issued by the Company.

As at the date of this annual report, the No. 3 Intermediate People's Court of Beijing Municipality has not heard the case yet. The Company will publish announcements on significant progress thereof on the websites of the Stock Exchange and the Company.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 17 February 2014.

1. Purpose

The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant options to the Eligible Participants (as defined in paragraph 2 below) as incentives or rewards for their contribution they had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Eligible Participants**

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below to:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers, distributors and agents to the Company or any of its subsidiaries; and

(iv) any such other persons who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 (or an equivalent amount in RMB) to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

3. **Maximum number of Shares**

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering (as defined in the Prospectus), being 200,000,000 Shares.

4. **Maximum number of options to any one individual**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

5. **Price of Shares**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will be at less the higher of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

6. **Granting options to connected persons**

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

7. **Restrictions on the times of grant of options**

A grant of options may not be made when inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's annual results, half year, quarterly or other interim period (whether or not required under the Listing Rules);

(ii) the deadline for the Company to publish an announcement of results of the Company for (i) any year or half-year period in accordance with the Listing Rules; and (ii) any quarterly or any other interim period, where the Company has elected to publish such results (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be),

and no options shall be granted where the grant of options is to a Director:

(iii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

8. Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

9. Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

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

As at the date of this annual report, no option under the Share Option Scheme has been granted by the Company. The total number of 200,000,000 shares are available for issue under the Share Option Scheme as at the date of this annual report, representing approximately 7.81% of the shares of the Company in issue as at the date of this annual report. As at 31 December 2018, the remaining life of the Share Option Scheme is approximately five years and two months.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company has not entered into any other equity-linked agreements.

ENVIRONMENT POLICIES AND PERFORMANCE

It is the Group's enterprise and social responsibility to promote sustainable development and conservation to the environment. The Group commits itself to saving power and carrying out company affairs in sustainable ways so as to minimize our impact on the environment.

The Group has been implementing the idea of energy saving and pollution prevention, taking active actions (such as conserving water and power and reducing pollution and emission in the process of construction) and formulating emergency and controlling procedures as prevention measures against unexpected environmental pollutions. For details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Law, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him/her as a Director, auditor or other officer of the Company, other than for any matter in respect of any fraud or dishonesty which may attach to any such persons. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Reporting Period in respect of any legal liabilities which may be assumed by the Directors and officers in the execution and discharge of their duties or in relation thereto.

COMPLIANCE WITH LAWS AND REGULATIONS WHICH HAVE SIGNIFICANT EFFECT ON THE COMPANY

The Group is operated principally by subsidiaries of the Company in the PRC which itself is listed on the Stock Exchange. Our operation is subject to the relevant laws and regulations of the PRC and Hong Kong. For the Reporting Period and up to the date of the annual report, we have complied with all the relevant laws and regulations of the PRC and Hong Kong in all material respects.

CHARITABLE DONATIONS

During the Reporting Period, the Group made charitable donations of approximately RMB5.08 million.

POST BALANCE SHEET EVENTS

Events after the Reporting Period of the Group are set out in the sub-section "Events after the Reporting Period" of Management Discussion and Analysis on pages 15 to 33 of this annual report.

Save as foregoing, the Group has no material post balance sheet events which are required to be disclosed in the audited financial statements.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Since the Listing Date, the Company has adopted and complied with all the applicable provisions under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules, except for the following deviations from Code Provisions A.2.1 which are described in further details in the section headed "Corporate Governance Report" in this annual report. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 69 to 83 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 18 June 2019 to Friday, 21 June 2019 (both days inclusive), during which no share transfer will be registered. In order to qualify for attending and voting at the AGM, all share transfer documents together with the relevant share certificate must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 17 June 2019 for registration.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float in compliance with the requirements of the Listing Rules for the Reporting Period.

AUDITOR

KPMG has acted as auditor of the Company for the Reporting Period.

KPMG shall retire in the AGM and, being eligible, will offer themselves for re-appointment. A resolution for the reappointment of KPMG as auditor of the Company will be proposed at the AGM.

On behalf of the Board
Yi Xiaodi
Chairman and Executive Director

Beijing, the PRC, 28 March 2019

The Board is pleased to present the corporate governance report in the annual report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Group has committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. For the year ended 31 December 2018, the Company has adopted and complied with all applicable code provisions (the "**Code Provisions**") under the CG Code, except the following deviation:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yi Xiaodi has served as the chairman and chief executive of the Company since 11 May 2018. This arrangement deviates from the requirement that the two positions should be held separately by different individuals as prescribed in the code provision A.2.1 of the CG Code. However, the Board is of the view that the roles of chairman and Chief Executive Officer assumed by Mr. Yi Xiaodi will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operation of the Board as the majority of Board members are non-executive directors and independent non-executive directors. Moreover, the Board comprises experienced and high caliber individuals and meets regularly to discuss major issues affecting operations of the Company, and all directors are properly and promptly briefed on relevant matters with adequate, complete and reliable information.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises two executive Directors, namely Mr. Yi Xiaodi and Mr. Fan Xiaochong, two non-executive Directors, namely Ms. Fan Xiaohua, Mr. Wang Gongquan and three independent non-executive Directors, namely Mr. Gu Yunchang, Mr. Ng Fook Ai, Victor and Mr. Wang Bo. The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Since 1 January 2018 up to the date of this annual report, the Board at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules. Of the three independent non-executive Directors appointed, which represents at least one-third of the Board, one independent non-executive Director, namely Mr. Ng Fook Ai, Victor, is equipped with appropriate professional qualifications or adequate accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Save as disclosed in the biographies of the Directors as set out under the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Diversity of the Board

In order to enhance the efficiency of the Board and corporate governance standard of the Company, the Board should maintain a balanced mix of executive Directors and non-executive Directors (including independent non-executive Directors) so that the Board is highly independent and is able to make independent judgments efficiently. In selecting candidates, measurable objectives for implementing diversity, including but not limited to the age, cultural and education background, professional and industry experience, skills, knowledge, race and other qualifications that are essential to the business of the Company, will be applied so that the candidate can bring advantage and make contribution to the Board. The Board will review such measurable objectives from time to time to ensure their appropriateness and confirm the progress on achieving such objectives.

As regards the Code Provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors will disclose their commitments to the Company annually.

Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company will also arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

During the Reporting Period, the individual training record of each Director is set out as follows:

	Training course
Executive Directors	
Mr. Yi Xiaodi	(A) and (B)
Mr. Fan Xiaochong	(A) and (B)
Non-executive Directors	
Ms. Fan Xiaohua	(A) and (B)
Mr. Wang Gongquan	(B)
Independent Non-executive Directors	
Mr. Gu Yunchang	(A) and (B)
Mr. Ng Fook Ai, Victor	(A) and (B)
Mr. Wang Bo	(A) and (B)

(A) Attended the training courses organized by the Company and delivered by Morrison & Foerster LLP
(B) Perused materials in relation to the updates on the Listing Rules

Chairman and Chief Executive Officer

Under the current organization structure of the Company, Mr. Yi Xiaodi is the Chairman of the Board and Chief Executive Officer. The Chairman leads the Board and is responsible for formulating corporate and business strategies and making major corporations and operations decisions. The Chief Executive Officer focuses on the business development and is responsible for the daily operation and management. He is also taking part in formulating and implementing the overall corporate and business strategy. Their respective responsibilities are clearly defined and set out in writing.

Appointment, Re-Election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company under which he has agreed to act as an executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company. On 1 March 2017, each of the executive Directors has entered into a new service contract with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Ms. Fan Xiaohua, a non-executive Director, has entered into a service contract with the Company under which she agreed to act as a non-executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either Ms. Fan or the Company. On 1 March 2017, Ms. Fan has entered into a new service contract with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Mr. Wang Gongquan, a non-executive Director, has entered into a service contract with the Company under which he agreed to act as a non-executive Director for a term of three years commencing from 1 August 2018, which may be terminated by not less than three months' notice in writing served by either Mr. Wang or the Company.

Mr. Gu Yunchang and Mr. Ng Fook Ai, Victor, the independent non-executive Directors, have signed an appointment letter with the Company for a term of three years with effect from the Listing Date. On 13 March 2017, each of Mr. Gu and Mr. Ng has entered into new appointment letter with the Company for a term of three years (subject to the requirements in relation to the re-election by rotation of Directors set out in the Articles of Association).

Mr. Wang Bo, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years with effect from 1 August 2018.

In accordance with the Articles of Association, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company but every Director is subject to retirement by rotation at least once every three years and, being eligible, can offer himself for re-election at the annual general meeting. Any new Director appointed by the Board to fill a causal vacancy is subject to re-election by the Shareholders at the first annual general meeting of the Company after appointment. Any new Director appointed as an addition to the Board is subject to re-election by Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly. During the Reporting Period, four Board meetings were held, at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other meetings of the Board and the Board Committees, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors or members of the relevant Board Committees at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or members of the relevant Board Committees are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

Sufficient details of the matters considered, decisions reached and concerns raised by any Directors are recorded in the minutes of the meetings of the Board and Board Committees. Draft minutes of each meeting of the Board or Board Committees are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, 4 Board meetings were held and the attendance is set out in the table below:

	2017 Annual Results	Reappointment of Directors and acquisition of the Tianjin Projects	2018 Interim Results	Connected transaction – Provision of loan to Yantai Shenghe
Executive Directors				
Mr. Yi Xiaodi	✓	✓	✓	✓
Mr. Fan Xiaochong	✓	✓	✓	✓
Non-executive Directors				
Ms. Fan Xiaohua	✓	✓	✓	✓
Mr. Wang Gongquan	✓	✓		✓
Independent non-executive Directors				
Mr. Gu Yunchang	✓	✓	✓	✓
Mr. Ng Fook Ai, Victor	✓	✓	✓	✓
Mr. Wang Bo	✓	✓	✓	✓

✓ represents attending the meeting

During the Reporting Period, apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules ("**Model Code**") as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiries with all the Directors, all the Directors confirmed that they have complied with the Model Code since the Listing Date and up to the date of this annual report.

Delegation by the Board

The Board reserves its rights of decision over all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors have the option to obtain independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions are entered into by the management.

Corporate Governance Functions

The Board recognises that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Audit Committee which include the following:

- to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;

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

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

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Yi Xiaodi (chairman), Mr. Gu Yunchang and Mr. Wang Bo, and the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to assess the independence of independent non-executive Directors;

- to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

- to review the policy on Board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of its review results in the annual report of the Company annually.

The Nomination Committee will assess the candidate or the incumbent on criteria such as skills, knowledge, experience and diversity of perspectives. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

In 2018, after review, the Nomination Committee took the view that there is no need to adjust the structure, size and composition of the Board and that the appointment of the Directors meets with the Board Diversity Policy and the Board Diversity Policy need not be revised. Based on the confirmation letter signed by independent non-executive Directors, the Nomination Committee is of the view that all independent non-executive Directors are independent. At the same time, after taking into consideration of the skills, knowledge and experiences of Mr. Wang Gongquan and Mr. Wang Bo, the Nomination Committee made a proposal to the Board to re-appoint Mr. Wang Gongquan as a non-executive Director and Mr. Wang Bo as an independent non-executive Director, which has been approved by the Board.

During the Reporting Period, 2 meetings were held by the Nomination Committee and the attendances are set out in the table below:

	2017 Annual Results	**Reappointment of Directors**
Executive Director		
Mr. Yi Xiaodi	✓	✓
Independent non-executive Directors		
Mr. Gu Yunchang	✓	✓
Mr. Wang Bo	✓	✓

✓ represents attending the meeting

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Wang Bo (chairman), Mr. Fan Xiaochong and Mr. Gu Yunchang, and the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include but not limited to the following:

- to make recommendations to the Board on the Company's policy and structure of all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- either: (i) to determine, with delegated responsibility by the Board, the remuneration packages of individual executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- to review and approve the management's remuneration proposals with reference to the Board's corporate policies and objectives; and
- to consider and approve the granting of share options to eligible participants under the Share Option Scheme.

The Remuneration Committee is also responsible for ensuring that no Director or any of his/her associates (as defined in the Listing Rules) will participate in deciding his/her own remuneration, whose remuneration will be determined by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

In 2018, after being reviewed by the Remuneration Committee, the recommendation in relation to the revised remuneration of all directors was submitted to and finally approved by the Board.

During the Reporting Period, 2 meetings were held by the Remuneration Committee and the attendances are set out in the table below:

	2017 Annual Results	Reappointment of Directors
Executive Director		
Mr. Fan Xiaochong	✓	✓
Independent non-executive Directors		
Mr. Gu Yunchang	✓	✓
Mr. Wang Bo	✓	✓

✓ represents attending the meeting

Details of the remuneration by band of the 10 members of the senior management of the Company, whose biographies are set out on pages 38 to 41 of this annual report, for the year ended 31 December 2018 are set out below:

Remuneration band (RMB'000)	Number of individuals
Below 1,000	5
1,000 to 2,000	4
2,001 to 3,000	1

Audit Committee

The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Ng Fook Ai, Victor (chairman), Mr. Wang Bo and Mr. Gu Yunchang. The main duties of the Audit Committee include the following:

- to deal with the relationship with the Company's external auditors;
- to review the Company's financial information;
- to oversee the Company's financial reporting system, risk management and internal control procedures; and
- to perform the Company's corporate governance functions.

During the Reporting Period, 2 meetings were held by the Audit Committee and the attendances are set out in the table below:

	2017 Annual Results	2018 Interim Results
Independent non-executive Directors		
Mr. Gu Yunchang	✓	✓
Mr. Ng Fook Ai, Victor	✓	✓
Mr. Wang Bo	✓	✓

✓ represents attending the meeting

The Audit Committee reviewed the financial control system, crisis management, risk management and internal control processes, discussed with the management with regard to the risk management and internal control systems and assessed their effectiveness considering the factors including the adequacy of resources for financial reporting, staff qualifications and experience, training programmes and the budget of the Company's accounting and financial reporting function. The Audit Committee also reviewed the state of the Company's corporate governance against the criteria set out in the CG Code and considered the reappointment of the external auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The members of the Audit Committee also reviewed the preliminary results of the Company and its subsidiaries for the Reporting Period as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control and other matters.

The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Reporting Period which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

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

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 116 to 125 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control system to safeguard shareholder investments and the Group's assets and reviewing the effectiveness of such system on an annual basis. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and could only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks to be assumed by the Company in achieving its strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in management and overseeing the formulation, implementation and supervision of the risk management and internal control systems.

The Board confirms that, through the Audit Committee, it has reviewed the effectiveness of the Group's system of risk management and internal control for the Reporting Period.

The risk management and internal control of the Group are conducted through the departments daily operation, including a sound corporate structure and defined terms of reference, such as authorization approval, validation, and segregation of duties. By reference to any changes in the external environment and the Company's business development mode, the management and the officers of key competent departments will jointly continue to assess major risks and the possibility of their occurrence, to provide solutions and monitor the progress of risk management. The Company also actively carry out the informatization construction, including the continuous optimization of collaborative office system (OA/Portal), Oracle accounting system, Hyperion budget system and customer relationship management system (CRM), and provide timely and accurate data to the management to strengthen the Company's risk control in decision-making.

In addition, we seek to proactively identify any concerns and issues relating to potential non-compliance by providing training (organized by our administrative and legal department) to the management of all departments regarding the need for preventive and self-check measures, ensuring that all applicable laws and regulations are complied and material internal control deficiency is identified and addressed timely. In the meantime, the direct supervision departments or our management would inspect relevant departments on a regular or irregular basis and conduct internal control assessment regularly to identify risks that have potential impact on the business and all aspects (including key operational and financial processes, regulatory compliance and information security) of the Group.

The management monitored the assessment of risk management and internal control and have reported/confirmed to the Board and the Audit Committee on the effectiveness of risk management and internal control systems for the Reporting Period.

The Group has established an employee reporting channel including email account and telephone hotline through which an employee can report potential non-compliance exposures and raise concerns over possible improper behaviors in financial reporting, internal control or other aspects, so that we could promptly detect problems and undertake corrective measures.

The Group has developed its disclosure policy and process which specifies in detail the process and monitoring measures to assess, handle and disclose potential inside information, including notify the relevant Directors and employees about the blackout period and restriction in security trading.

The Group has set up an internal audit department, conducting independent review of the adequacy and effectiveness of the risk management and internal control systems. Internal audit department examines key issues in relation to the accounting practices and all material controls and provides its findings and recommendations for improvement to the Audit Committee.

The Audit Committee confirmed that it has reviewed the effectiveness of risk management and internal control systems of the Company according to its term of reference since 1 January 2018 and is of the view that the risk management and internal control systems are effective and adequate. The Audit Committee will continue to conduct regular review on risk management and internal control systems in the future.

The Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and considered that, the risk management and internal control systems of the Company for the Reporting Period are effective and adequate.

AUDITOR'S REMUNERATION

Service fees paid/payable by the Group to KPMG, the external auditor, for the Reporting Period are set out as follows:

Service rendered	*RMB'000*
Audit services:	
Annual audit	4,950
Review of the interim financial report	1,500
Others	2,500
Total	8,950

JOINT COMPANY SECRETARIES

In order to uphold good corporate governance and ensure compliance with the Listing Rules, the Company engaged Dr. Ngai Wai Fung ("**Dr. Ngai**"), a Director and Chief Executive Officer of SWCS Corporate Services Group (Hong Kong) Limited (a corporate service provider) and Mr. He Jie (賀傑)("**Mr. He**"), the assistant to the president and chief legal officer of the Group, as its joint company secretaries for the year ended 31 December 2018. Dr. Ngai and Mr. He are responsible for advising the Board on corporate governance matters and ensuring that the Board complies with the applicable policies and procedures, and the applicable laws, rules and regulations. The primary contact person of the Company is Mr. He, a joint company secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, Dr. Ngai and Mr. He have undertaken not less than 15 hours of relevant professional training during the Reporting Period.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions. The primary contact person of the Company is Mr. Chen Shengjie, the chief financial officer of the Company.

The AGM of the Company provides an opportunity for shareholders to communicate directly with the Directors. The Chairman of the Company and the Chairman of the Board Committees of the Company will attend the AGM to answer shareholders' questions. The external auditor of the Company will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.ss100.com.cn, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

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

Calling Extraordinary General Meeting and Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting according to Article 58 of the Articles of Association.

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition; and such meeting shall be held within two (2) months after such requisition.

Such requisition shall be made in writing to the Board or the joint company secretaries of the Company by the following channels:

Address: 40/F, Sunlight Tower
248 Queen Road East,
Wanchai, Hong Kong
Email: ir@ss100.com.cn

If within 21 days of such requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards to how to nominate a person to stand for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business for the Company in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong (email address: ir@ss100.com.cn).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association was adopted by the Board on 17 February 2014 and became effective on the Listing Date. A copy of the Articles of Association is available on the websites of the Company and the Stock Exchange. During the period from 1 January 2018 up to the date of this annual report, there was no significant change in constitutional documents of the Company.

Environmental, Social and Governance Report

ABOUT THE REPORT

The Environmental, Social and Governance ("**ESG**") Report published by Sunshine 100 China Holdings Ltd (the"**Company**") presents the performance and achievement made in terms of the environment and society by the Company and its subsidiaries (collectively the "**Group**" or "**we**"). The ESG Report details the principles, commitments and efforts of the Group, supplemented by specific cases, in carrying out the environmental and social policies, as well as fulfilling the principle of sustainable development. We report our performance in good faith and with due diligence and we promise to continuously make improvements in data disclosure and report writing.

The Board of Directors shall assume sole responsibility for the environmental, social and governance strategies and reporting of the Company and is liable to assess and determine the Company's environmental, social and governance risks and ensure the establishment of appropriate and effective system for the management and internal control of environmental, social and governance risks. The Board of Directors and the Directors hereby warrant that there are no false records, misleading statements or material omissions contained in this report and they will bear joint and several liabilities for the authenticity, accuracy and completeness of the contents herein.

Scope of the Report

The ESG Report covers the environmental and social performance of the Group for the period between 1 January 2018 and 31 December 2018 (the "**Reporting Period**"). The environmental KPIs as disclosed in the ESG Report are based on the performance of the Group's headquarter and the offices used in major projects during the Reporting Period, which include two offices in Wenzhou and one in Wuxi, Shenyang, Qingyuan and Chongqing respectively (collectively the "**Offices**"). The Group will extend its disclosure to other offices in a gradual manner. For details of corporate governance, please refer to the corporate governance report on pages 69 to 83 of the Company's annual report.

Reporting Standard

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited. The Company has reported on all the "comply or explain" provisions of the "Environmental, Social and Governance Reporting Guide".

Stakeholder Engagement

Understanding stakeholders' opinions are essential in formulating and implementing the Group's long-term and short-term sustainability strategies. Our stakeholder engagement process is ongoing and includes a diverse set of groups providing a wide range of views, opinions, and expectations. The Group has established appropriate communication channels and through our engagement, stakeholders provide essential input to help us identify possible emerging risks to our business operations as well as ESG issues that concern our stakeholders most.

Stakeholders	Expectations	Management Responses/ Communication Channels
Government and Regulators	• Compliance with national policies, laws and regulation • Tax payment in full and on time • Safe Production	• Regular Information reporting • Examination and inspection
Shareholders	• Returns • Compliance operations • Rise in company value • Transparency and effective communication	• General meetings • Announcements • Email, telephone conversation and company website
Partners	• Operation with integrity • Performance of contracts • Mutual benefits	• Review and appraisal meetings • Business communication • Discussion and exchange of opinions • Engagement and cooperation
Customers	• Outstanding products and services • Performance of contracts	• Customer service center and hotlines • Customer satisfaction surveys • Social media platforms • Client reviews
Environment	• Compliance with emission regulations • Energy saving and emission reduction	• Communication with local environmental departments • Reporting • Investigation and inspection
Industry	• Enhancement of industrial development	• Participation in industry forums • Field visits
Employees	• Protection of rights • Remunerations and benefits • Career development	• House journal and intranet • Employee mailbox • Training and workshop • Employee activities • Departmental satisfaction surveys
Community and the public	• Enhancement of community environment • Transparency	• Company website • Announcements • Interview with media • Social media platforms

Materiality Assessment

In order to ensure that the ESG Report presents the actual circumstances of the Group's environmental and social performance and addresses ESG topics that substantively influence the assessments and decisions of stakeholders, the Group has commissioned an independent third-party consultant to perform a materiality assessment in a fair and equitable manner. We have conducted stakeholder engagement as part of the materiality assessment process which helps us identify material issues that reflect the shared concerns of the Group and all our stakeholder groups. Our materiality assessment methodology involves three main phases:

i) Based on the relevant national and local standards and policies, industry characteristics and development of the Group, identify 33 potential material ESG issues that may pose a high risk to the Group's operation and influence stakeholders' decisions;

ii) Invite internal and external stakeholders (including staff, management, directors, customers, suppliers and communities) to complete a set of questionnaire to collect opinions on each of the potential issues;

iii) Prioritize the potential material issues based on the results of 702 valid questionnaires with the materiality matrix.

Materiality Matrix

Environment	Labour Practices	Operation Practices	Community Investment
1. Compliance relating to environmental-related laws and legislations 2. Air Pollutant Management 3. Greenhouse Gas (GHG) Emission 4. Waste Management 5. Recycling 6. Energy Consumption 7. Use of Water Resources 8. Green Office 9. Green Energy Project 10. Green Building 11. Use of Raw Materials and Packaging Materials 12. Environmental and Natural Resources Management	13. Compliance with Labour Laws and Legislations 14. Employees' Remuneration and Benefits 15. Employees' Working Hours and Rest Period 16. Diversity and Equal Opportunity 17. Employee Engagement and Communication 18. Talent Attraction and Retention 19. Occupational Health and Safety 20. Training and Development 21. Prevention of Child Labour and Forced Labour	22. Compliance with Laws and Regulations relating to the Provision and Use of Products and Services 23. Supply Chain Management 24. Procurement Practices 25. Product/Service Quality 26. Customer Health and Safety 27. Customer Service 28. Protection of Intellectual Property Rights 29. Information Security and Privacy Protection 30. Anti-corruption	31. Charity 32. Impact on the Community 33. Community Communication

From the materiality matrix, we have identified 8 material issues which are discussed in details in the ESG Report.

Aspects	Material issues	Reference sections
Environment	1. Compliance relating to environmental-related laws and legislations	Our Environment
Labour Practices	13. Compliance with Labour Laws and Legislations 19. Occupational Health and Safety 20. Training and Development	Our Staff Occupational Health and Safety Training and Development
Operation Practices	22. Compliance with Laws and Regulations Relating to the Provision and Use of Products and Services 25. Product/Service Quality 27. Customer Service 29. Information Security and Privacy Protection	Our Operation Product Quality Customer Service Privacy and Information Protection

Opinions and Feedback

Any opinions and suggestions on the ESG Report or on our ESG performance in general are highly valued and welcome. Should you have any opinions, please contact us via the following channels:

- Email: ir@ss100.com.cn
- 40th Floor, Sunlight Tower
  No. 248 Queen's Road East
  Wanchai, Hong Kong
  Sunshine100 China Holdings Limited

OUR VISION OF SUSTAINABLE DEVELOPMENT

Fulfilling ESG responsibilities is one of the many genes of the Group. By adopting top-down approaches, we endeavor to reach or even outperform the requirements of applicable laws and regulations. To be specific, we have introduced the following management objectives of sustainable development which penetrate all levels and aspects of our operation in order to bring benefits to the society:

- **Abide by industrial standards to grow with the industry**

  We uphold the philosophy of operation in good faith, comply with the business principles in the industry and strictly implement the rules and regulations on corporate social responsibilities.

- **Respect the value of talents to grow with our employees**

  We are devoted to bringing in and providing trainings to talents who are fit for the Group's corporate culture and share the same values with us. We strive to introduce long-term and stable talent development strategies.

- **Adopt safety and environmental protection measures to grow in harmony with the nature**

  We actively guide all parties of the Group to practise the principle of green development and harmonious coexistence of human and the nature, accomplish real-time monitoring and improvement, as well as fulfill the responsibility of environmental protection.

- **Provide value-added services to grow with our customers**

  We ratchet up the level of quality management and customer services, step up cultural activities in community, and further gain reputation among target customers.

OUR OPERATION

Product Quality

Young talents and the middle-class are the target customer segments of the Group. We recognises that such customer segments, who commonly have a higher living standard, have a strong desire for high quality of life and are hence looking for a better living place and environment. In view of this, we never spare ourselves in the pursuit of excellence in product quality. It is our goal to continuously provide the highest class of projects and properties which can meet, if not exceed, all our customers' expectation.

Top-tier Architects

Building affordable residential buildings in our country with the design created by eminent international architects is one of our missions. Although merging top-tier design around the world into buildings in second-tier cities is a difficult task, the Group still upholds the principle of "International Mindset and Innovative Buildings" and persists in making our dream comes true.

The Group was among the leading developers in the industry trying to invite tenders internationally for architectural design. Over the years, we have developed long-term cooperation and partnerships with many top-tier architectural designing firms, such as Denton Corker Marshall (DCM), John Portman and Associates, Tadao Ando Architects and Associates, from countries including the UK, France, Australia, Italy, Germany, Japan and Denmark etc. We hope to produce remarkable products which can satisfy our customer's desires for high-quality buildings.

Quality Management

The Group has stringent requirements on product quality and thus we have formed a quality management team which is specialized in implementing quality assurance and control at every stage of project development from product design, construction, completion, sales to maintenance. Through such high-standard quality management, we ensure that all our projects are always using high-quality materials, adopting top-class design, satisfying diverse requirements of customers and producing products with high cost-performance ratio.

Product health and safety

It is one of the Group's missions to take advantage of the architectures to improve everyone's lifestyle. We pursue a healthy living environment and lifestyle therefore we are dedicated to producing safe and healthy products through property design and management.

To keep our properties under surveillance, we have set up a 24-hour monitoring system with security guards to carry out frequent security patrols in most of our estates. Besides, the Group outsources the cleaning service to high-quality and professional cleaning companies which make use of machines to provide the be monthly visit to households in order to keep the entire estate, no matter private or public space, clean and comfortable. Furthermore, as a way to ensure the safety of facilities within the estates, specialized workers are assigned to keep track of the operation of the facilities and to provide round-the-clock maintenance and repair services.

Case – Wuhan Sunshine 100 Lakeside Residence

It has been around 7 years since the first batch of sales of properties of the Wuhan Sunshine 100 Lakeside Residence (Wuhan Project). Throughout the years, a large amount of materials and human resources were input for raising the overall level of quality and safety of the project. According to the standardized management requirements and the actual situation, Wuhan Project has introduced intelligent management such as adopting building automation system (BAS) and 24-hour remote surveillance system and has upgraded old and worn-out facilities so as to improve the efficiency, stability and safety of the facilities and equipment.

1) Facial Recognition System

In order to increase the security level and allow more convenient entry and exit of the residential area, Wuhan Project has introduced leading-edge security technology, installing a facial recognition system at the entrance gate of the area. In addition to the common use of card and password for entry and exit, residents can now pass through the gates using the facial recognition system without showing any identification. Also, the system is also integrated with a photo-taking counting function, which further strengthens the security of the entrance gates by collecting information such as head count, time and frequency for analysis.

2) Domestic Water Pump Room

Wuhan Project has renovated the domestic water pump room according to the manual for standardized construction of machine room; put in place a standardized management plan for pump room maintenance; installed dehumidifiers to reduce humidity of the pump room; installed new ceramic tiles on the floor and walls; put up pump room control and management documents on walls and stuck name cards on corresponding facilities, in an attempt to secure the stability of water supply and water quality through the most outstanding management.

Customer Service

The existence and development of the Group hinge on market demands from first to last. As a market-oriented enterprise, being observant and responsive to customers' needs are essential. Looking for an unassailable lead in the market, the Group upholds the philosophy of "Customer-First" and always puts the benefits of customers before its own benefits.

Property Sales

Our commitment of improving customer satisfaction is manifested in every business segments of the Group, especially in the course of property sales. To understand customers' demands, we conduct ex ante market survey regularly. With the use of the property sales system, we can precisely understand customers' preferences and special needs by gathering more customers' information and arranging face-to-face discussion between salesperson and customers about the products in details. As a mean to maintain a good relationship with our customers, follow-up services will be provided such as inviting them to join on-site visits based on their preferences.

In response to the upward trend of customer service demands, we are developing an online sales system to integrate online sales resources and establish a multi-channel which connects property owners, agents, the industry and the market. Through the application of the system, our salesperson are able to provide more timely follow-up services, hence improving working efficiency and achieving more convenient communication with customers. In addition, more information can be collected from customers so that product services can be more comprehensive and the service quality can be further improved.

To avoid excessive commitment during property sales, we on one hand require all salesperson to remind customers that all rights and interest shall be subject to the sales contract offers. On the other, we strictly regulate salespersons with internal rules and make efforts to establish a professional and upright sales team so that fairness and impartialness of the sales system can be guaranteed and legal risks can be eliminated.

Complaint-handling

The Group has formulated a comprehensive customer complaint handling system for dealing with possible problems in sales and operations including law violations, fake sales commitment, bad sales attitude, improper product design and quality, as well as other demands for supporting services. Customers may complain via a unified customer service line or to related departments such as sales department of the Group or project companies, quality management department or internal audit department of the Group about any issues in products and services. Customer service staff will record, screen and analyze all the information faithfully upon receiving the complaints, then refer the cases to dedicated department or staff so that responses can be provided for customers promptly.

During the Reporting Period, there were no return of sold houses or complaints resulted from any material quality problem or incompliance to regulations. There was also no serious violation of relevant laws and regulations applicable to the Company about product responsibility.

Privacy and Information Protection

The protection of trade secrets of the Group is a major concern of our stakeholders, among which personal information of customers are extremely confidential and have drawn lots of attention of the Group in setting up corresponding protection policies. By strictly following the Anti-Unfair Competition Law of the People's Republic of China ("**PRC**"), the Group has put considerable efforts in protecting trade secrets and personal privacy.

Salespersons who are at the frontline deal with customers most of the time and hence have frequent access to customer information. The Group clearly understands the risk of divulging customer information during property sales thereby we sign a non-disclosure agreement with all salespersons, regulating their sales behavior and preventing the divulgence of confidential information. In addition to customer information, the agreement also fully covers different types of trade secrets of the group such as operational, management, trading and technical information.

For all types of employees, terms regarding the protection of trade secrets and intellectual property rights are included in the labour contracts. Relevant limits of authority are also set for the access to the customer information database according to the positions of staff to safeguard customers' personal privacy. In addition, we arrange regular trainings in respect of work discipline and professional ethics for salespersons. Employees revealing confidential information of the Group are regarded as violation of the code of conduct and will be meted out to financial or administrative disciplinary actions depending on the seriousness of the case.

Operation with integrity

The authenticity of work, effectiveness of communication and soundness of an enterprise's operation can be ensured by the truthfulness and transparency of operation. Hence, the Group advocates transparent administrative rules and has established rules regarding anti-corruption and anti-bribery in compliance with the Criminal Law of the People's Republic of China, in an effort to ensure the integrity of our operation.

The Group has set up the Code of Conduct for Staff, the Ethics in Procurement and the Anti-Fraud Work Ordinance which clearly state that all employees are responsible to abide by laws and regulations and the general code of business ethics. The Group strictly prohibits employees from asking for or accepting interests in anyone's name or in any form, as well as harming the legitimate interests of the country, the Company, shareholders, other organizations or individuals for their own benefit through illegal means such as fraud. Additionally, standardized contracts for pricing, procurement and property design which are attached with a guarantee letter of integrity have to be signed between the Group and the corresponding parties. Both parties are reminded to bear the ethical obligations under the contract.

Through years of operation, the Group has learnt from the leading peers in the industry and established a series of preventive measures and a whistle-blowing mechanism. Such measures and mechanism can help to avoid any possible unlawful practices and maintain a good image of the Group, which include:

1. Established an internal audit department, which bears the primary responsibility for handling whistle-blowing, complaints and responses, and acts as the permanent department for anti-corruption and anti-fraud. It is subject to the supervision of the Board of Directors and the Audit Committee.

2. Standardized the process of complaint-handling and whistle-blowing; set up specialized telephone hotlines, emails and public address and stipulated the detailed process for whistle-blowing and complaints; set up safety protection mechanism for whistle-blowers; established an award system for whistle-blowing.

3. The management of the Group is responsible for building, improving and implementing anti-corruption process and mechanism; each department assumes its responsibility to carry out anti-corruption work.

4. Advocated enterprise culture of honesty and integrity; created anti-corruption enterprise ambience; organized anti-corruption training and moral education for new staff.

5. Required all procurement officers' name cards to be printed with the telephone number and email address for complaints to facilitate the supervision and complaints by our business partners in case of bribery and corruption.

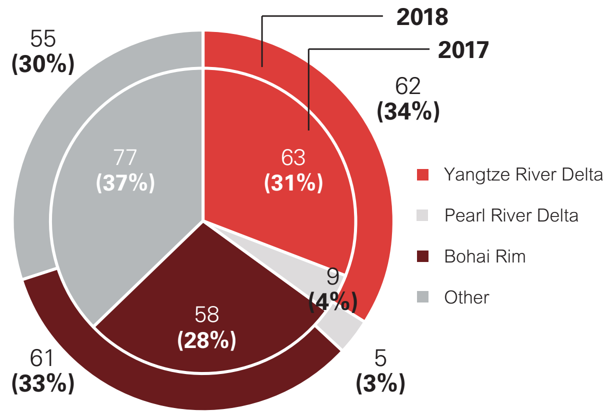
6. In case of corruption, employees will be meted out to financial or administrative disciplinary actions depending on the seriousness of the case. If criminal law is breached, the case will be transferred to the judicial authority and handled in accordance with law.

During the Reporting Period, the Group has strictly complied with the Criminal Law of the People's Republic of China and there was no lawsuit regarding corruption filed against the Group or its staff.

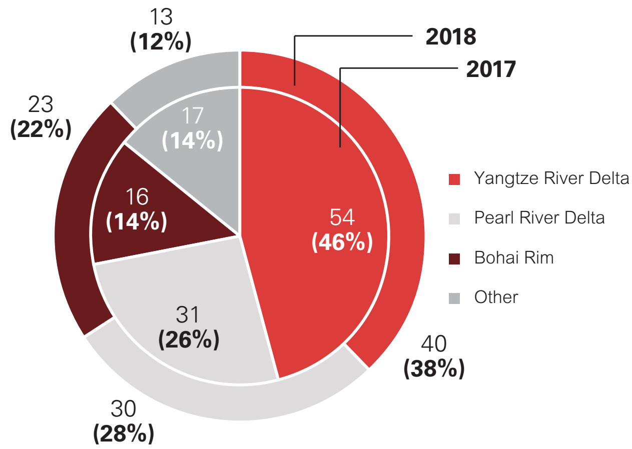
Supply Chain Management

Material suppliers, contractors, subcontractors and design institutes each play a significant role in the Group's supply chain. By maintaining a stable and long-term strategic partnership with them, the Group strives to stabilize and strengthen our supply chain operation and therefore improve product quality.

Number of contractors and subcontractors by geographical region of headquarters:



Number of suppliers by geographical region of headquarters:



The Group cooperates with a large number of suppliers and contractors and thus proper selection of such business partners is of ultimate importance. The Group follows the principle of openness, fairness and impartiality and we strictly comply with the internal rules and policies with regard to procurement and bid solicitation for project during selection.

In regard to material suppliers, the Group has set out the requirements in the contract for accreditations of environmental protection such as "ISO Quality Management System Certification" and "Environmental Management System Certification". Besides, we require woodwork suppliers to provide documents as a proof of legality of origin for the materials they supply. For high energy-consuming products, the Group always prefers multinational and eminent enterprises which are more mindful of environmental protection and social responsibility.

With respect to contractors and subcontractors for construction projects, the Group lays emphasis on the evaluation to determine whether they have met the requirements of local regulations on environmental protection, occupational health and construction safety. We also set forth environmental, social and ethical criteria in the bid solicitation documents and recruit renowned construction contractors in the industry to ensure their performance in health, safety and environmental protection.

Apart from the selection process, the Group also regularly records and evaluates the performance of our business partners in the supply chain regarding their prices, quality of goods and services. Suppliers with remarkable performance will be shortlisted for qualified suppliers and will be given priority in supplier selection, whereas those who have violated relevant laws and regulation or have exposed to quality incidents will be blacklisted.

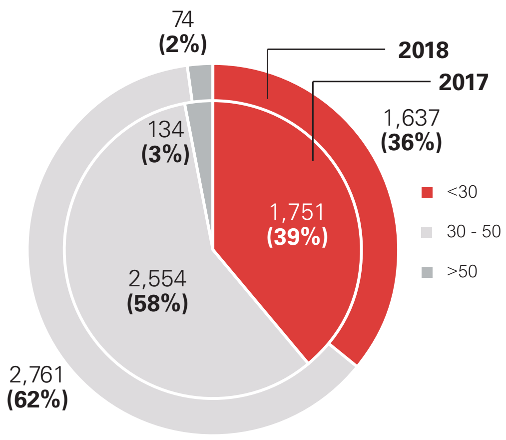
OUR STAFF

Employees are the most valuable assets of the Group and they are the reason for the success of the Group over the years since establishment. It is of paramount importance to continue our people-oriented management style that we not only provide employees with an ideal working environment and welfares, but also protecting their work safety, physical and mental health, as well as offering training and development opportunities to them.

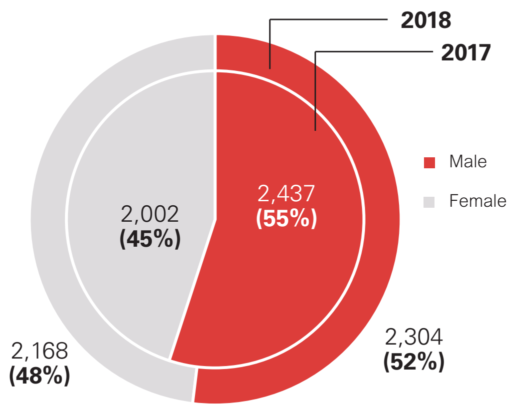
Staff Overview

The greatest wealth of the Group is the pool of our outstanding staff with their high working ability and loyalty particularly. As at 31 December 2018, we had a total of 4,472 employees, among which 4,466 were employed in the Mainland and 6 in Hong Kong.

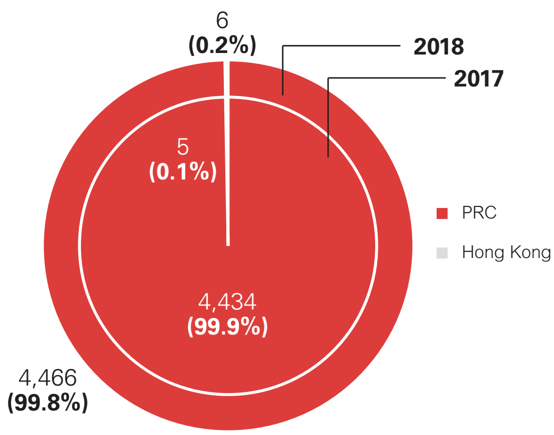
Number of employees by age group



Number of employees by gender



Number of employees by geographical region



Occupational Health and Safety

The Group always put priority on the physical and mental health of employees and promotes work-life balance. We strictly abide by relevant laws such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and we provide employees with labor safety and sanitary conditions which are in line with national rules and standards. The Group also arranges regular health examination for employees who are engaged in dangerous work. During the Reporting Period, there was only 1 work-related injury and no lost days due to the injury were recorded.

In office area, we always keep the area clean, spacious and with sufficient amount of light in a bid to provide the most comfortable working environment to our staff. Our offices are also equipped with water dispensers, refrigerators and coffee machines. We also endeavor to create a green and healthy office environment by placing green plants in offices and providing our staff with nutritional meals in our"Healthy Canteen".

Staff Activities

Every year, the Group organizes a number of employee activities such as daily activities, regular team building activities, family activities and festival activities as a way to maintain the wok-life balance of our employees. We make adjustment to the activities according to our employees' feedback timely so that the greatest effectiveness can be attained in providing employees with the time to relax and improving the cohesion of the Group.

For example, sports activities such as basketball and badminton friendly competitions were organized during the Reporting Period so that employees from different departments had more chances to know each other and teamwork was built and strengthened within different teams.

Basketball friendly competition

Badminton friendly competition

Construction Safety

Although the Group's construction work are outsourced, we place additional emphasis on the work safety performance of our contractors and subcontractors. Pursuant to the Law of the People's Republic of China on Work Safety and Regulation on Work Safety regarding Construction Projects, we require contractors to formulate work safety execution plan, follow the onsite rules on work safety, pay the expenses relating to work safety and provide safety gears to workers.

Moreover, we enter into contract with contractors so as to ensure that they are following work safety guidelines. We also require them to appoint experienced experts to carry out safety inspection and supervision in order to ensure that the special-type construction workers have obtained relevant qualifications. During the Reporting Period, we have trained 4 batches of workers, in total 300 participants, for the "Standards of Safe and Civilized Construction" to further raise their awareness on work safety.

Training and Development

Recognising that putting more efforts into training and raising the proportion of trained employees are of benefit to both career development of the staff and the long-term development of the Group, we continue to enhance our training system that accommodates employees at all positions and levels and covers as much knowledge and skills as possible.

During the Reporting Period, we have finished our training both online and offline, which can be classified into 4 major parts: New Employees Training, Management Trainee Programme, Corporate Culture Training and Online Training.

New Employees Training

As a mean to help newly employed staff to adapt to their position and working environment, the Group offers them a series of training such as intensified training, seminar, project visit, team building activities and job rotation, therefore they can experience the enterprise culture, understand the work of various departments, improve work skills, and finally choose the appropriate position through bidirectional selection. Besides, a mentor is also arranged for each new employee and thus work skills and experience can be acquired from the mentor which helps improve their business capabilities. Encouragement and advices for career development can also be given by the mentor so that new employees can better decide on their working position and even plan their career path.

Management Trainee Programme

In an attempt to build a management talent pool for the Group's long-term development in the future, we have implemented the Management Trainee Programme, which helps to recruit outstanding young talents who are suitable for being part of our management. We offer specialized training courses to the management trainees with respect to personal career development, business communication skills and attitudes in workplace.

Corporate Culture Training

The Group provides corporate culture training to employees which aims to help them better adapt to the working environment and usual operational practices of the Group. For example, a series of training pertaining to the career development of young employees were organized during the Reporting Period. Besides, our finance department and design department jointly held a training course for the professionals dedicated to product design and project financing. Specific corporate culture training was also provided for the staff who were involved in a new project in Xi'an in a bid to smoothen the project commencement and the initial stage of project implementation.

Online Training

Online training covers a wide range of themes that were not covered in other parts of training but are necessary or beneficial to our employees and the Group's operation. For instance, topics related to human resources management and technical skills such as construction drawing and door and window installation are included to broaden employees' working skills and knowledge. Adding to such common courses is a series of courses that enable participants to gain additional knowledge not directly related to their daily works such as lectures pertaining to "New Economy", which are held by our manager. Moreover, leisure courses are even provided such as courses on Chinese tea culture which allow employees to develop diverse interest so as to strike a better work-life balance.

Apart from the training provided internally by the Group, we also highly encourage our staff to pursue higher education and professional levels. We maximize the career development opportunities of employees by providing not only allowances for professional examinations such as those for architects, designers, engineers, accountants, property managers and economists, but also paid study leaves for their better preparation for the examinations.

As a mean in paving the way for our employees' career development, the Group also offers promotion opportunities through an open and fair promotion system. Each employee is evaluated and scored according to their performance and based on the scores, employees are allowed to apply for promotion. It is our ultimate goal that all employees are able to shape their own path in career development within the Group.

Employment and Welfare Policies

The Group has established and continues to make use of the comprehensive human resources management system to select and absorb talents from different places through rigorous recruitment processes. We provide all candidates with equal employment opportunities without taking into consideration their gender, race, age, nationality, marital status, pregnancy, disability and religion etc. The Group advocates a diversified and anti-discrimination culture as we truly believe that employees with different backgrounds can act as the driving force for the Group's thriving development. We are also devoted to recruiting fresh graduates with different professional backgrounds. To attract talents, the Group offers a competitive remuneration package that the salary would not be less than the local minimum wage. For employees who request to resign, we will handle the cases promptly to understand the employees' opinion and remuneration will be provided on time.

For recruitment, we mainly adopt two channels including external recruitment and internal referral. To ensure that the recruitment process, including the release of recruitment information, resume screening, background investigation, interviews, physical examinations and entry approval, is open, fair and transparent, human resources department and department heads are responsible for overseeing the whole process. All relevant laws and regulations such as the Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China, as well as rules and systems established by the Group, were strictly followed during the recruitment process.

The Group stringently prohibits the use of child labor and forced labor in accordance with relevant laws and regulations such as the Provisions on the Prohibition of Using Child Labor. We never employ persons who are below 18 years old by verifying their identity cards during the recruitment process. An employment contract which clearly defines the job duties is also signed by every employee to prevent forced labour. During the Reporting Period, we have standardized and intensified our human resources management. We strictly complied with the existing regulations on labour and employment applicable to the Group, and there were no circumstances involving material labour disputes.

Apart from that, the Group also provides our employees with a wide range of welfares, including communication allowance, travel subsidies, holiday benefits, marriage and death benefits, physical examination, commercial insurance, meal allowance, birthday gifts and subsidies for length of service. Employees are also assured of sufficient rest time and holidays as stated in the Labor Law of the People's Republic of China. For employees who are assigned to work overseas, we provide them with household allowances, living subsidies and family-visit benefits where appropriate with the consideration of the local situation so that employees can be free of worries and concentrate on work. Employees who are sent overseas will be given priority during promotion.

OUR ENVIRONMENT

The Group is devoted to creating the most liveable communities with a comfortable environment for our target customers. Therefore, we place much emphasis on environmental protection at both the construction and operation stage. In fact, the environmental footprint of the Group is very limited as all our construction work is outsourced to reliable contractors. Nonetheless, there is no room for complacency that the Group managed to factor the environment into our decision-making process, business management and corporate culture. We also integrate the concept of environmental protection, from energy saving to green development, into our products and services.

The Group strictly complies with relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste. We uphold the following commitments to environmental protection and fulfill our environmental responsibility in both property development and daily operations of the Group.

- Comply with relevant requirements of environmental protection laws
- Reduce construction waste
- Save energy
- Reduce negative impacts on the environment and natural resources
- Study and design green buildings

Emissions

As a responsible property developer, the Group is dedicated to controlling and minimizing our emission in a bid to alleviate environmental problems such as global warming. Since we have outsourced the construction work of property development, operation of back offices is the only source of emission of the Group.

While there is no water discharge from our Offices, our daily operation does generate air pollutants due to the use of vehicles and the combustion of fuels at stationary sources such as gas stove and water heater.

Air pollutant emissions of the Offices:

Indicators	**2018**	2017
Nitrogen oxides (NOx) *(g)*	**72,540**	84,823
Sulphur oxides (SOx) *(g)*	**1,195**	1,059
Particulate matter (PM) *(g)*	**5,507**	6,554

On the other hand, greenhouse gases are also emitted not only from the use of vehicles, but also the use of electricity, heating, water and sewage treatment, disposal of paper to landfill, use of refrigerant as well as business trips by staff.

Greenhouse gas emissions of the Offices:

Indicators	2018	2017
Total greenhouse gas emissions *(tonnes)*	**2,999**	3,876
Total greenhouse gas emissions per employee *(tonnes)*	**5.03**	6.15

Waste is also a major emission from the daily operation of the Group which includes both hazardous and non-hazardous waste. During the Reporting Period, the Offices have generated non-hazardous waste consisting of daily office garbage and food waste from canteens. Besides, hazardous waste including ink cartridges and batteries were also generated. All hazardous and non-hazardous wastes were collected and handled in a proper and legal manner by qualified parties so as to avoid detrimental impacts to the environment.

Waste generated by the Offices:

Indicators	2018	2017
Total hazardous waste *(kg)*	**348**	193
Hazardous waste discarded per employee *(kg)*[1]	**0.58**	0.31
Total non-hazardous waste *(kg)*	**32,028**	34,612
Non-hazardous waste discarded per employee *(kg)*[1]	**53.74**	54.94

Energy and Resources

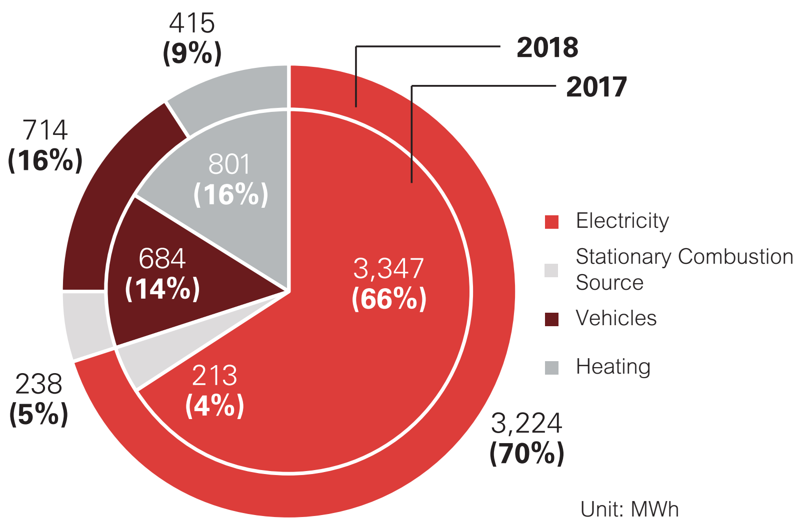
Energy and resources such as water are precious resources to everyone and are crucial for maintaining the Group's business operation. Thereby, we set energy and water conservation as one of our major environmental commitments and implement proper and effective management on the use of energy and resources. During the Reporting Period, energy was consumed in the form of electricity usage, stationary combustion and heating in the Offices, as well as fuel consumption for our vehicles. Since the Group's principal business is property development, no packaging materials were consumed during the Reporting Period.

Energy and water consumption of the Offices:

Indicators	2018	2017
Total energy consumption *(MWh)*	**4,649**	5,045
Total energy consumption per employee *(MWh)*[1]	**7.80**	8.01
Total water consumption *(m^3)*	**51,415**	40,920
Total water consumption per employee *(m^3)*[1]	**86.27**	64.95

1 The intensity calculated is based on the total number of employees of the Offices, not the Group.

Energy consumption by type:



Green Office Operation

To get emission management and resources conservation into perspective, we have adopted a plenty of measures in an effort to reduce our resources consumption and greenhouse gas emission.

Electricity saving is the major part of our environmentally-friendly actions. Most of the offices of the Group were designed and installed with electricity-saving facilities. For example, large glass windows were installed with sunshade curtains to avoid heat loss, hence electricity wastage on air-conditioning. We also use light-emitting diode ("**LED**") lamps which have much longer lifespan and higher energy efficiency, thereby help to save electricity up to 70%. Besides, we have installed timers on switches which can control power supply for the entire company according to the working hours and employees are also able to manually control the power supply for their work if necessary.

Other than facilities, actions are also carried out by employees to reduce electricity consumption. The Group encourages employees to turn off air conditioning 15 minutes before getting off from work so that energy can be saved without affecting their work. Brightness of computer monitors is also appropriately adjusted so as to save energy and at the same time protect the eyes of employees.

With regard to air pollutants, we not only use environmentally-friendly materials to effectively control total volatile organic compounds and formaldehyde, but also install advanced air-conditioning system to reduce PM2.5 indoors. As a mean to cut down on the emission of air pollutants from the use of vehicles, we have installed charging piles in our parking lot to promote the use of electric vehicles.

Adding to energy conservation are the measures implemented for paper saving. The Group advocates waste paper recycling and the use of recycled paper and double-sided paper as far as practicable. We strongly promote paperless office and capitalize on electronic office in handling documents. Recycled paper pencils are also produced and used through the cooperation with pencil manufacturers. It is our conviction that saving paper in every aspect is the best way to protect the forest and our environment.

Conservation of water is also of high importance from the Group's perspective as water is a precious resource to everyone. We raise the awareness of our staff on water saving by putting up water saving reminder labels in toilets. Furthermore, the Group endeavors to advocate the reduction of food waste that our canteens purchase appropriate amount of ingredients every time and food are cooked in accordance with the number of staff every time so that food waste can be minimized.

Project Management

Planning and designing stage

Grasping the possible impacts of a project on the environment and society in advance helps us to identify potential obstacles at the initial stage of development so that solutions can be made as early as at the stage of designing. Therefore, in the planning stage, we conduct analysis and feasibility study on a project from its financial and technical prospective, wherein the environmental benefits are also considered. Before construction of an approved project, we submit environmental report, environmental impact statement and environmental impact registration form of the project to the local environmental protection authority for approval. Besides, we strictly conform to the applicable standards on air pollution, noise as well as sewage and waste discharge as approved by the government throughout the construction period, and take such standards into consideration in the overall design, construction and operation of the project plan. Integration between human living environment and the natural environment has long been our planning and designing focus, which could in turn maximally reduce the damage to or transformation of the original landscape and vegetation.

In addition, we enlarge the proportion of fine-decorated houses in each project at the stage of designing to reduce material wastage, noise pollution and other secondary pollution caused by owners' decoration after delivery of roughcast houses. For example, we launched an array of fine decoration standards in the projects in Chongqing, Wuxi and Qingyuan as options for customers, while certain soft decoration such as wooden flooring, sanitary ware and kitchen appliances were purchased in a centralized manner.

Supplier bid solicitation stage

Our property project development involves a large number of contractors and suppliers. In an attempt to foster their improvement in sustainable development, we take into account the performance regarding environmental protection when selecting partners. Moreover, we also encourage our partners to employ eco-friendly equipment and facilities and adopt or develop new technologies in this regard. For details, please refer to "Our operation – supply chain management".

Construction and acceptance stage

As a way to avoid environmental pollution arising from construction, the Group requires our contractors to take effective measures including but not limited to the actions as follows:

1. Set up temporary barriers and strictly limit working time; introduce soundproofing measures on noisy machines such as mixers, air compressors and woodworking machines to subdue and reduce possible noises arose during construction.

2. Set up fences made of hard materials around the construction site, harden the main roads and keep the roads clean; clean the garbage and dregs in time; place washing facilities at the exits of site to wash transport vehicles and their ledges when they leave the site; store or seal the building materials such as cement and lime that may produce fugitive dust pollution in compliance with the government's requirement of "fugitive dust pollution control".

3. Keep the site clean; prohibit sewage from flowing to its vicinity; forbid accumulation of waste within the construction site and the surrounding areas; avoid the discharge of sewage into any public sewage pipes, drain pipes, waterways, rivers or sea waters without the written consent of relevant local authorities.

4. Not to use any materials or construction methods in any temporary or permanent projects that are expressly prohibited by the government due to their harms to human health; or that are not expressly prohibited by the government but may cause discomfit or unpleasant smells to the dwellers or users.

5. Test radon concentration and natural radionuclide content in the soil and indoor environment in accordance with relevant local regulations, and ensure the environmental tests have met the acceptable standard on indoor environmental quality.

6. After completion of the construction, clear all remaining materials, debris, and garbage and remove all temporary buildings, structures and facilities at the site and restore the original ground surface; restore the soil and vegetation damaged during the construction period to its original state or arrange reasonable greening.

We carry out a series of measures in order to ensure that the contractors have complied with the aforementioned laws and regulations during construction, which include inspecting building materials on the sites and refusing those not fulfilling the requirements of environmental laws and regulations, conducting weekly field samplings, performing noise, electromagnetic radiation and concrete fills testing and forcing contractors to immediately perform remediation in case of any problems. During the Reporting Period, all the emission indicators of our contractors reached national or local emission standards, and there were no material violations against national or local laws and regulations on environmental protection and pollution control applicable to the Company. The Group did not receive any punishment imposed by any administrative authorities or regulatory authorities.

Community Operation

The Group adopts the following management schemes in property management:

We take the following water saving measures:

- Record the readings of master and branch water meters regularly and investigation will be conducted once abnormal readings are found
- Inspect the status of leakage proof of cooling tower and expansion tank regularly
- Check water supply pipelines to stringently prevent all sorts of leakage
- Improve the method for watering green lands and save water used for green lands

We take the following electricity saving measures:

- Reduce the wattage, quantity and lighting time of lamps provided that public lighting is not affected
- Restart equipment as little as possible to improve its utilization efficiency

We take the following waste disposal scheme:

- Distribute waste collection facilities within the community appropriately to reduce littering
- Advocate waste sorting by delineating three separate areas in the waste collection site to collect recyclable waste, kitchen garbage and other garbage respectively
- Encourage residents in the community to recycle and reuse daily items to reduce the amount of waste

Guided by relevant government documents, we publicize the significance and specific ways of energy saving and consumption reduction on bulletins so as to raise the awareness of energy saving among the property owners.

OUR COMMUNITY

The main business of the Group is property development and community operation, therefore the Group is in itself and inevitably linked to community contribution. Sticking to our vision in providing houses with the highest cost-performance ratio in the world, we spare no effort in cutting cost and at the same time providing houses and community with the best quality. Apart from making our properties physically comfortable, we lay emphasis on the mental and social health of our customers by promoting social interaction, stimulating youth culture and fostering parent-child relationship in families. In addition to our development and construction projects, our commitment to caring for the community can also be reflected by our efforts in supporting the development of start-ups and local education. During the Reporting Period, the Group made charitable donations of approximately RMB5.08 million.

Promoting Social Interaction and Nurturing Start-up

The Group has always focused on the creation of social platform and business prospects during the development of product lines and projects. In view of the rising demands for higher living standard and quality among the public under the new age, the Group paid attention to the idea of sharing lifestyle and took the lead to establish "Phoenix Community", a social-oriented apartment, and introduce Club Himalaya which help create more decent social environment so as to cater for the needs of the modern people. We also strive to nurture new potential entrepreneurs by providing playing fields and resources for individual entrepreneurs and start-ups to expand their business.

Case I – Club Himalaya

Under the influence of globalization, the Group has established Sunshine 100 Himalaya product line to provide global business travellers with a living experience of local life. The positioning of Himalaya is to provide not only elegant and modern living areas, but also shared space for interaction among urban business talents. In order to create high-quality cultural environment and business social platform, we have established Club Himalaya which aims to provide our customers with varied social activities such as cultural sharing and study group. Club Himalaya not only helps to form a unique elite's cultural circle, but also encourages communication and interaction among friends. In Wenzhou Centre, the operational team of Club Himalaya has already been formed during the Reporting Period and has held activities such as family musical dinner and themed afternoon tea etc.

Case II – Phoenix Market

As a brand of street operation of the Group, Phoenix Market provides a platform for various small and medium enterprises to start their business. By joining Phoenix Market, individual enterprises could become the stall owners so as to gain more exposure for their brands and generate business turnovers.

In Liuzhou, our Phoenix market is the only authorized cultural night market which gathers local creative talents, folk veterans, undergraduate entrepreneurs, calligraphers, cartoonists and street singers. The night market has been operated for 18 months and has about 70 stalls currently. It has attracted an aggregate of 5 million tourists. Under powerful brands prestige, Phoenix market has attracted a huge number of tourists and benefited the small and medium enterprises. The market also gradually forms a diversified social platform and becomes the best place for people to have leisure, strolling, shopping and cultural experience opportunity.

Stimulating Youth Culture

Every community is comprised of people at different ages. During project development, the Group accommodates the unique needs of different age groups and includes them into our considerations during project design and implementation. The Group never overlooks the needs of the youngsters while paying great attention to the groups who usually draw public attention such as the elderly and children. Through establishing innovative cultural markets, building shared community facilities which meet the youth's needs and holding teenage events such as popular music festivals, the Group strives to stimulate youth culture and create more means for social integration of the younger generation.

Case – Arles Music Festival

Arles Music Festival, one of the brands of community operation of the Group, is our trendy music festival brand. In the Reporting Period, we have successfully launched Arles Music Festival in many regions in China including Guangzhou, Nanning, Wenzhou and Chongqing. Arles Music Festival consists of multifarious music style performance such as rock, ballad and rap, and has become an activity of popular culture and fashion which won the extensive recognition of teenagers. Being a popular event at the city level, Arles Music Festival plays a vital role in promoting youth culture which has successfully assembled the fashionable youth in the cities and provided a social platform for them.

Supporting Local Education

Apart from providing decent housing and living environment with top quality, the Group also aims at building impeccable communities. Since education is crucial to community establishment and city development, the Group continuously promotes the development of local education. We integrate the element of comprehensive education into each of our projects so that customers and owners are able to enjoy more learning opportunities and options which can satisfy their specific needs beyond formal education.

Case I – We Study Education Platform

The Group has established the We Study Education Platform in Shenyang, Weifang and Yantai which gathers various eminent educational brands. It is a comprehensive educational platform which merges together creative thinking, artistic training, cultural studies, physical education, ancillary facility and leisure and entertainment.

We Study Education Platform in Weifang Phoenix Community contains more than 50 reputable educational brands. Being the first entity of cultural and educational integration in Weifang, We Study Education Platform organized two educational exhibitions during the Reporting Period, which became an important communication platform for teenagers and children's education development. The introduction of the exhibitions has brought vitality into the creation of excellent environment for parent-child education and the education development in Weifang.

Case II – Phoenix Street in Shenyang

Shenyang Phoenix Street is the first themed street of teenage education which aims to create a paradise surrounding the theme of parent-child relationship and growth with fun with one-stop learning environment for teenagers and children at all ages. During the Reporting Period, Shenyang Phoenix Street launched a forum for Shenyang's teenage education development and an opening ceremony of PHX Education Association. The forum opens up business opportunities for various educational companies and allows parents to understand the nature of education and its latest development. PHX Education Association facilitates children's learning capability through sharing educational resources. In the meantime, it helps children acknowledge their own interests and hobbies in daily life and enhance logical thinking through participating in practical learning.

Enhancing Parent-child Relationship

In order to build a harmonious community to enhance family relationship and create more family time for communication, the Group not only improves the living environment, but also launches community cultural brands and holds a series of family activities. As society is becoming more intense and competitive nowadays, parents and children have to spend more time on working and studies respectively. Regular family activities are necessary in the modern society to maintain sufficient family time and communication.

Case – Arles Living School

Parent-child education and lifestyle sharing are the major principles at Arles Living School, which is under the Sunshine 100 Friends and Neighbors community cultural brand. Arles Living School implements numerous small-scale activities which enable children to make improvement from learning and enhance intimacy with parents when playing games together. Moreover, Arles classes contain multifarious experience classes including performance class, street dance class, hand drum class, tie-dye class, family outdoor lessons and sports day etc. Through joining their favorite classes, parents and children are able to facilitate their parent-child relationship. During the Reporting Period, Arles Living School has organized hundreds of activities and classes throughout China in order to create life experience for parents and children.

CONCLUSION

Throughout the Reporting Period, the Group has exerted every effort in completing our ESG-related work and has left little to be desired. Responding to our stakeholder's expectations, particular attention has been paid to aspects including legal compliance, employees' health and safety, training and development, products and customer service quality, as well as information protection. We also continued to implement environment-related measures and enrich our community projects and events. Looking into the future, the Group will remain vigilant about the potential environmental and social risks during our business operation and development. We will also continue to make strides towards improving our ESG policies in enhancing city functions, caring for our employees and customers, as well as capitalizing on natural and cultural resources in order to construct more sustainable communities of high values. It is hoped that our vision and philosophy will continue to spread through the industry, if not the world, thus bringing lasting benefits to society.

Independent Auditor's Report

To the shareholders of Sunshine 100 China Holdings Ltd
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sunshine 100 China Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 126 to 266, which comprise the consolidated statement of financial position as at 31 December 2018, the statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Valuation of investment properties

Refer to Note 10 to the consolidated financial statements and the accounting policies on page 156.

The Key Audit Matter	How the matter was addressed in our audit
The Group held investment properties with a total carrying amount of RMB11,707,246,000 as at 31 December 2018, which accounted for 19.1% of the Group's total assets as at that date. The net changes in fair value of investment properties recorded in the consolidated statement of comprehensive income was RMB888,666,000 and represented 146.0% of the Group's profit before taxation for the year ended 31 December 2018. The investment properties principally comprise office and retail properties mainly located in tier 2 and tier 3 cites in Mainland China.	Our audit procedures to assess the valuation of investment properties included: • evaluating the independence, competence, capability and experience of the external property valuer which included making inquiries regarding interests and relationships that may have created a threat to the external property valuer's objectivity; • meeting with the external property valuer to assess the approach to the valuations and the findings, reviewing management's instructions to the external property valuer and assessing whether there were any limitations of scope or restrictions placed upon the work of the external property valuer;

The Key Audit Matter	How the matter was addressed in our audit
The fair values of investment properties as at 31 December 2018 were assessed by the board of directors based on independent valuations prepared by a qualified external property valuer based on certain estimates, including capitalisation rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates. We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the net changes in fair value of investment properties to the Group's profit before taxation and because determining the fair values of investment properties involves a significant degree of judgement and may be subject to management bias.	• assessing whether the properties held by the Group were valued on a consistent basis using a consistent methodology by inquiry of management and the external property valuer; • involving our internal valuation specialists, on a sample basis, to assist us in assessing the valuations prepared by the external property valuer by evaluating the valuation methodology adopted and challenging the assumptions used, including those relating to capitalisation rates, comparable market transactions and prevailing market rents for comparable properties in the same location and condition, by comparing these against market available data and government produced market statistics; • comparing inputs to the valuation model, on a sample basis, with the Group's records, which included underlying lease agreements and documentation, details of the number of property units held for investment purposes and current rents; and • considering whether the disclosures in the consolidated financial statements in respect of the valuation of investment properties reflected the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

Assessing the net realisable value for properties under development and completed properties held for sale

Refer to Note 15 to the consolidated financial statements and the accounting policies on page 169.

The Key Audit Matter

The carrying value of properties under development and completed properties held for sale totalled RMB32,464,688,000 as at 31 December 2018, which accounted for 52.8% of the Group's total assets as at that date. Properties under development and completed properties held for sale of the Group are primarily residential and retail projects, located mainly in tier 2 and tier 3 cities in Mainland China, and are stated at the lower of cost and net realisable value.

The assessment of the net realisable value of properties under development and completed properties held for sale involves the exercise of significant management judgement, particularly in estimating forecast development costs and forecast selling prices. Forecast development costs and selling prices are inherently uncertain due to changes in market conditions.

Recent property market cooling measures imposed by the local governments in different cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities.

We identified assessing the net realisable value of properties under development and completed properties held for sale as a key audit matter because the inherent uncertainties involved in assessing the net realisable value of the properties require a significant degree of management judgement which could be subject to error or management bias.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties under development and completed properties held for sale included:

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs;
- conducting site visits to property development sites, on a sample basis, discussing with management the progress of each project and challenging management's development budgets reflected in the latest forecasts for each project with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;
- challenging the forecast property selling prices as estimated by management with reference to independent third party house price indices for properties of similar type and size and in similar location;
- assessing the accuracy of management's historical forecasts of net realisable value by comparing the actual selling prices achieved in the current year with forecasts prepared in previous periods; and;
- evaluating the sensitivity analyses prepared by management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and forecast construction costs, and considering the possibility of error or management bias.

Assessing the recoverability of RMB581,089,000 due from the Government of Chenghua District in Chengdu

Refer to Note 29(a) to the consolidated financial statements and the accounting policies on page 157.

The Key Audit Matter

Based on a series of agreements entered into by the Group and the Government of Chenghua District in Sichuan Province, the Group has an entitlement to receive RMB581,089,000 from the Government of Chenghua District. The Government of Chenghua District issued a notice dated 2 July 2013 to confirm this amount.

Considering the long ageing of the receivable, in February 2015, the Group sued the Government of Chenghua District and asked for the repayment of the RMB581,089,000 as well as a management fee of RMB15,000,000. The first trial went to court on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to further negotiate so as to reach a settlement. The court accepted and approved an application for withdrawal of the trial filed by the Group on 26 July 2018. As of the date of this report, the Group is still in negotiation with the Government of Chenghua District.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of RMB581,089,000 due from the Government of Chenghua District in Sichuan Province included:

- obtaining and inspecting the legal opinion issued by the Group's external lawyer which opined on the legitimacy of the Group's right to receive the outstanding balance and negotiation status between the Group and the Government of Chenghua District; and

- assessing management's judgement in connection with the recoverability of the outstanding balance, including comparing management's assessment with the legal opinion provided by the external lawyer and the progress of the negotiations with the Government of Chenghua District and challenging management's assessment in respect of the ability of the Government of Chenghua District to repay the receivable with reference to reports which disclose relevant financial data published by the Government of Chenghua District.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2018, the directors of the Group were of the opinion that the RMB581,089,000 due from the Government of Chenghua District was fully recoverable and no expected credit loss allowance was required, taking into consideration a legal opinion received from an external lawyer about the legitimacy of the Group's right to receive the outstanding balance and also taking into consideration that there is no indication that the Government of Chenghua District does not have the financial ability to fulfil its obligations to settle the balance. We identified the recoverability of RMB581,089,000 due from the Government of Chenghua District as a key audit matter because of its financial significance to the Group and because the assessment of its recoverability requires the application of management judgement..	

Assessing the recoverability of loans provided to third parties

Refer to Note 19 to the consolidated financial statements and the accounting policies on page 171.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2018, the carrying value of loans provided to third parties totalled RMB3,029,336,000 after deducting a loss allowance of RMB902,472,000. Management measures loss allowance for loans provided to third parties on an individual basis at an amount equal to 12-month expected credit losses ("ECLs") unless there has been a significant increase in credit risk of the loan balance since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs, pursuant to the requirements under IFRS 9 "Financial Instruments" which has been adopted by the Group since 1 January 2018. The determination of ECLs is subject to management judgement on a number of key parameters and assumptions, including the identification of credit-impaired stage, estimates of probability of default, loss given default, exposures at default, adjustments for forward-looking information, available remedies for recovery, collateral valuation and the seniority of the claim. We identified the recoverability of loans provided to third parties as a key audit matter because of its financial significance to the Group and because the assessment of their recoverability is inherently subjective and requires the exercise of significant management judgement.	Our audit procedures to assess the recoverability of loans provided to third parties included: • evaluating the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans provided to third parties, and the estimate of ECLs; • assessing management's judgement in connection with the assessment of credit risk and the estimate of ECLs for individual credit-impaired debtor, on a sample basis, including reviewing the debtor's repayment history and financial information, researching market information about the debtor's business, evaluating management's assessment of the value of any collateral held and the timing and means of realisation of collateral, and considering other sources of repayment asserted by management; • where a lawsuit has been filed by the Group against individual debtor, comparing management's assessment on the possible outcome with the legal opinion provided by the external lawyer; • inspecting cash repayments from debtors subsequent to the financial year end; and • considering whether the disclosures in the consolidated financial statements in respect of the expected credit losses for loans provided to third parties satisfy the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the audit committee of the Company (the "Audit Committee") in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Choi Chung Chuen.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2019

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Revenue	2	**7,579,091**	6,874,583
Cost of sales		**(5,988,281)**	(5,375,157)
Gross profit		**1,590,810**	1,499,426
Valuation gains on investment properties	10	**888,666**	788,968
Other income	3	**278,970**	20,767
Selling expenses		**(553,707)**	(599,713)
Administrative expenses		**(545,904)**	(456,663)
Other operating expenses	29	**(990,400)**	(26,249)
Profit from operations		**668,435**	1,226,536
Finance income	4(a)	**519,354**	417,091
Finance costs	4(a)	**(550,788)**	(358,915)
Share of profits less losses of associates		**(28,216)**	10,869
Profit before taxation	4	**608,785**	1,295,581
Income tax	5	**(366,012)**	(446,859)
Profit for the year		**242,773**	848,722
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified subsequently to profit or loss:			
Valuation surplus on investment properties transferred from property and equipment, net of deferred tax		**–**	3,171
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(18,017)**	11,532

The notes on pages 135 to 266 form part of these financial statements. Details of dividends payables to equity shareholders of the Company attributable to the profit for the year are set out in Note 26(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Other comprehensive income for the year		**(18,017)**	14,703
Total comprehensive income for the year		**224,756**	863,425
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		**(29,954)**	593,093
Non-controlling interests		**272,727**	255,629
Profit for the year		**242,773**	848,722
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**(47,971)**	607,796
Non-controlling interests		**272,727**	255,629
Total comprehensive income for the year		**224,756**	863,425
(Loss)/earnings per share *(RMB)*	8		
Basic		**(0.01)**	0.25
Diluted		**(0.01)**	0.18

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not stated. See Note 1(c).

The notes on pages 135 to 266 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	**31 December 2018**	31 December 2017 (Note)
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment	9	**697,864**	718,429
Investment properties	10	**11,707,246**	10,757,187
Restricted deposits	20	**130,054**	62,335
Investments in associates	12	**905,007**	757,016
Trade and other receivables	19	**576,506**	338,948
Deferred tax assets	13(b)	**1,400,667**	1,071,458
Other non-current financial assets	14	**103,777**	–
Total non-current assets		**15,521,121**	13,705,373
Current assets			
Properties under development and completed properties held for sale	15	**32,464,688**	28,180,123
Land development for sale	16	**866,431**	1,136,350
Contract costs	17	**246,555**	–
Trade and other receivables	19	**7,674,633**	7,079,906
Restricted deposits	20	**1,975,407**	887,778
Cash and cash equivalents	21	**2,588,630**	4,654,189
Trading securities	22	**114,663**	136,594
Total current assets		**45,931,007**	42,074,940
Current liabilities			
Loans and borrowings	23	**10,419,807**	8,823,334
Trade and other payables	24	**7,207,298**	5,299,267
Contract liabilities	18	**9,094,428**	–
Sales deposits	25	**–**	9,355,100
Contract retention payables		**173,482**	232,874
Current tax liabilities	13(a)	**1,093,894**	964,966
Total current liabilities		**27,988,909**	24,675,541
Net current assets		**17,942,098**	17,399,399
Total assets less current liabilities		**33,463,219**	31,104,772

The notes on pages 135 to 266 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	**31 December 2018 RMB'000**	31 December 2017 *(Note)* RMB'000
Non-current liabilities			
Loans and borrowings	23	**19,275,499**	17,941,805
Contract retention payables		**170,166**	154,213
Trade and other payables	24	**469,535**	316,914
Deferred tax liabilities	13(b)	**3,939,724**	3,529,507
Total non-current liabilities		**23,854,924**	21,942,439
NET ASSETS		**9,608,295**	9,162,333
CAPITAL AND RESERVES	26		
Share capital		**20,704**	20,700
Reserves		**7,454,138**	7,426,158
Total equity attributable to equity shareholders of the Company		**7,474,842**	7,446,858
Non-controlling interests		**2,133,453**	1,715,475
TOTAL EQUITY		**9,608,295**	9,162,333

Approved and authorised for issue by the board of directors on 28 March 2019.

YI Xiaodi
Director

FAN Xiaochong
Director

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

The notes on pages 135 to 266 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	General reserve fund RMB'000	Property revaluation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	18,718	2,821,330	(15,308)	629,037	9,865	2,775,410	6,239,052	1,442,587	7,681,639
Changes in equity for 2017:									
Profit for the year	–	–	–	–	–	593,093	593,093	255,629	848,722
Other comprehensive income	–	–	11,532	–	3,171	–	14,703	–	14,703
Total comprehensive income	–	–	11,532	–	3,171	593,093	607,796	255,629	863,425
Issuance of shares	1,968	592,747	–	–	–	–	594,715	–	594,715
Conversion of convertible bonds	14	5,281	–	–	–	–	5,295	–	5,295
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	20,640	20,640
Capital returned to non-controlling interests	–	–	–	–	–	–	–	(3,381)	(3,381)
Transfer to general reserve fund	–	–	–	78,265	–	(78,265)	–	–	–
Balance at 31 December 2017 *(Note)*	20,700	3,419,358	(3,776)	707,302	13,036	3,290,238	7,446,858	1,715,475	9,162,333
Impact on initial application of IFRS 15 *(Note 1(c))*	–	–	–	–	–	164,665	164,665	54,521	219,186

The notes on pages 135 to 266 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	General reserve fund RMB'000	Property revaluation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Adjusted balance at 1 January 2018	**20,700**	**3,419,358**	**(3,776)**	**707,302**	**13,036**	**3,454,903**	**7,611,523**	**1,769,996**	**9,381,519**
Changes in equity for 2018:									
(Loss)/profit for the year	-	-	-	-	-	(29,954)	(29,954)	272,727	242,773
Other comprehensive income	-	-	(18,017)	-	-	-	(18,017)	-	(18,017)
Total comprehensive income	-	-	(18,017)	-	-	(29,954)	(47,971)	272,727	224,756
Conversion of convertible bonds	4	1,366	-	-	-	-	1,370	-	1,370
Equity transaction with non-controlling interests	-	-	-	-	-	(90,080)	(90,080)	83,080	(7,000)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	7,684	7,684
Liquidation of a subsidiary	-	-	-	-	-	-	-	(34)	(34)
Transfer to general reserve fund	-	-	-	30,564	-	(30,564)	-	-	-
Balance at 31 December 2018	**20,704**	**3,420,724**	**(21,793)**	**737,866**	**13,036**	**3,304,305**	**7,474,842**	**2,133,453**	**9,608,295**

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

The notes on pages 135 to 266 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	**2018** **RMB'000**	2017 *(Note)* RMB'000
Operating activities			
Profit before taxation		**608,785**	1,295,581
Adjustments for:			
– Depreciation	4(c)	**55,078**	43,286
– Valuation gains on investment properties	10	**(888,666)**	(788,968)
– Finance costs		**536,695**	338,072
– Finance income	4(a)	**(519,354)**	(417,091)
– Net loss on disposal of property and equipment	4(c)	**432**	918
– Net (gain)/loss on disposal of investment properties	3	**(9,085)**	15,741
– Impairment loss on trade and other receivables	4(c)	**958,003**	83
– Reversal of properties under development and completed properties held for sale	4(c)	**(31,622)**	(23,772)
– Gain on bargain purchase	3	**(250,519)**	–
– Share of profits less losses of associates		**28,216**	(10,869)
		487,963	452,981
(Increase)/decrease in properties under development and completed properties held for sale		**(502,512)**	1,972,673
Decrease/(increase) in land development for sale		**247,315**	(351,952)
Decrease/(increase) in trade and other receivables		**1,447,420**	(328)
(Increase)/decrease in restricted deposits		**(153,720)**	7,423
Increase/(decrease) in trade and other payables, and contract retention payables		**82,958**	(1,406,475)
Increase in sales deposits		**–**	2,739,134
Increase in contract liabilities		**604,707**	–
Increase in contract costs		**(42,156)**	–
Cash generated from operation		**2,171,975**	3,413,456
Income tax paid		**(429,235)**	(461,505)

The notes on pages 135 to 266 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Net cash generated from in operating activities		**1,742,740**	2,951,951
Investing activities			
Finance income received		**178,875**	170,229
Proceeds from disposal of property and equipment		**7,634**	2,229
Proceeds from disposal of investment properties		**173,384**	45,387
Proceeds from disposal of an associate		**–**	50,000
Acquisition of subsidiaries, net of cash acquired		**(124,544)**	(174,895)
Acquisition of property and equipment		**(44,473)**	(16,313)
Acquisition of investment properties		**(188,852)**	(481,780)
Acquisition of associates		**(25,207)**	(166,143)
Loans provided to related parties		**(138,059)**	(1,500)
Repayment of loans provided to third parties		**1,663,663**	45,000
Loans provided to third parties		**(2,433,717)**	(1,350,518)
Loans provided to associates		**(562,566)**	(51,103)
Loans provided to non-controlling interests		**(152,788)**	(290,043)
Dividend from investment in the trading securities		**–**	8,464
Acquisition of trading securities		**–**	(133,942)
Acquisition of non-listed equity securities		**(36,777)**	–
Proceeds of disposal of the trading securities		**–**	927
Acquisition of non-controlling interests		**(7,000)**	–
Net cash used in investing activities		**(1,690,427)**	(2,344,001)

The notes on pages 135 to 266 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Financing activities			
Proceeds from loans and borrowings	21(b)	**9,420,797**	8,176,548
Repayment of loans and borrowings	21(b)	**(8,819,116)**	(8,181,466)
Repayment of senior notes	21(b)	**(583,283)**	(1,425,128)
Repayment of PRC bonds	21(b)	**(1,500,000)**	–
Proceeds from issuance of shares, net of listing expenses		**–**	594,715
Proceeds from issue of convertible bonds	21(b)	**580,876**	–
Proceeds from issue of senior notes	21(b)	**2,215,097**	1,542,576
Interest paid	21(b)	**(2,521,215)**	(2,424,312)
(Increase)/decrease in restricted deposits	21(b)	**(1,001,628)**	1,338,038
Loans from related parties	21(b)	**91,586**	160
Repayment of loans from related parties	21(b)	**(17,841)**	(28,214)
Capital contribution from non-controlling interests		**7,684**	20,640
Capital returned to non-controlling interests		**–**	(3,381)
Net cash used in financing activities		**(2,127,043)**	(389,824)
Net (decrease)/increase in cash and cash equivalent		**(2,074,730)**	218,126
Cash and cash equivalents at 1 January	21(a)	**4,654,189**	4,467,731
Effect of foreign exchange rate changes		**9,171**	(31,668)
Cash and cash equivalents at 31 December	21(a)	**2,588,630**	4,654,189

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

The notes on pages 135 to 266 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Company and the entities carrying out the principal activities of the Group in the People's Republic of China (the "PRC").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment property (see Note 1(i));

– investments in equity securities (see Note 1(g)); and

– derivative financial instruments (see Note 1(h)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 31.

(c) Changes in accounting policies

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(i) IFRS 9, Financial instruments

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

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

There is no material cumulative impact for the initial application of IFRS 9.

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

a. Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

For an explanation of how the Group classified and measures financial assets and recognises related gains and losses under IFRS 9, see respective accounting policy notes in Notes 1(g),(h),(l)(i),(q) and (u).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see Note 1(l)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(i) IFRS 9, Financial instruments (Continued)

b. Credit losses

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

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

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables including loans provided to non-controlling interests in subsidiaries, related parties, and third parties);

- contract assets as defined in IFRS 15 (see Note 1(p));

- lease receivables; and

- financial guarantee contracts issued (see Note 1(l)(ii))

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

(ii) IFRS 15, Revenue from contracts with customers

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

The following table summarises the impact of transition to IFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	RMB'000
Retained earnings	
Earlier revenue and profit recognition for sales of properties	64,530
Capitalisation of sales commissions	163,660
Related tax impact	(63,525)
Net increase in retained earnings at 1 January 2018	164,665
Non-controlling interests	
Net increase in non-controlling interests at 1 January 2018	54,521

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

a. *Timing of revenue recognition*

Previously, revenue arising from sales of properties was generally recognised at a point in time when the risks and rewards of ownership of the properties had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

a. Timing of revenue recognition (Continued)

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

a. Timing of revenue recognition (Continued)

The timing of revenue recognition for sales of properties is affected as follows:

- Currently the Group's property development activities are mainly carried out in the PRC. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment in the PRC, the property sales contracts that require advance payment in full of the total consideration qualify for recognising revenue over time. Before the adoption of IFRS 15, revenue from sale of properties under all contracts in the ordinary course of business is recognised when the construction of respective properties have been completed and the significant risks and rewards of ownership of the properties are transferred to the customers, that is when the customers completed the necessary procedures to acknowledge receipts of delivery of properties in accordance with the terms under the respective sales and purchases agreements, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in IFRS 15, for sales of properties with full payment in advance before the construction of respective properties are completed, the management determined that the customers obtain control of the corresponding property development activities upon settlement of the total consideration. This is because under those circumstances, properties are made to a customer's specification as detailed in the terms of the agreements. The adoption of IFRS 15 has no impact on the timing of revenue recognition for sales of properties other than those with full payment in advance.

- Therefore, revenue from those contracts that require advance payment in full of the total consideration and the associated costs are recognised over time, which would result in revenue and the associated costs for these agreements being recognised in profit or loss earlier under IFRS 15 than under IAS18.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

a. Timing of revenue recognition (Continued)

- As a result of this change in accounting policy, the Group has made adjustments to the opening balances at 1 January 2018 which increased retained earnings by RMB41,920,000, increased non-controlling interests by RMB16,695,000, decreased sales deposits by RMB9,355,100,000, increased trade and other payables by RMB53,885,000, increased contract liabilities by RMB8,784,647,000, increased deferred tax liabilities by RMB20,629,000, decreased contract costs 9,696,000 and decreased properties under development for sale by RMB427,628,000.

b. Significant financing component

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

In assessing whether advance payments include a significant financing component, the Group has considered the difference between the length of time between the payment date and the date when the customers obtain control of the properties based on the typical arrangements entered into with the customers.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

c. *Sales commissions payable related to property sales contracts*

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

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts amounting to RMB214,095,000, increased deferred tax liabilities by RMB53,524,000, increased retained earnings by RMB122,745,000 and increased non-controlling interests by RMB37,826,000 at 1 January 2018.

d. *Presentation of contract assets and liabilities*

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

d. Presentation of contract assets and liabilities (Continued)

Previously, the Group's properties under development and properties held for sale were included within "properties under development for sale" or "properties held for sale" until customers complete the necessary procedures to acknowledge receipts of delivery of properties and the revenue was recognised for the reasons explained in paragraph (a) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

a. "Sales deposit" amounting to RMB701,527,000 of the opening balance reclassified to trade and other payables related to value added tax payable, and RMB8,653,573,000 are now reclassified to contract liabilities; and

b. As explained in (a) above, adjustments to opening balances have been made to decrease contract liabilities by RMB570,453,000 in respect of the Group's revenue recognised over time.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(ii) IFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

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

	Amounts reported in accordance with IFRS 15 (A) *RMB'000*	Hypothetical amounts under IAS 18 and IAS 11 (B) *RMB'000*	Difference Estimated impact of adoption of IFRS 15 on 2018 (A)-(B) *RMB'000*
Line items in the consolidated statement of comprehensive income for year ended 31 December 2018 impacted by the adoption of IFRS 15:			
Revenue	7,579,091	7,013,047	566,044
Cost of sales	(5,988,281)	(5,643,212)	(345,069)
Gross profit	**1,590,810**	**1,369,835**	**220,975**
Selling expenses	(553,707)	(595,863)	42,156
Profit from operations	**668,435**	**405,305**	**263,130**
Income tax	(366,012)	(264,126)	(101,886)
Profit for the year	**242,773**	**81,529**	**161,244**

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) IFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with IFRS 15 (A) *RMB'000*	Hypothetical amounts under IAS 18 and IAS 11 (B) *RMB'000*	Difference Estimated impact of adoption of IFRS 15 on 2018 (A)–(B) *RMB'000*
Total comprehensive income for the year	**224,756**	**63,512**	**161,244**
(Loss)/profit for the year attributable to equity shareholders of the Company	**(29,954)**	**(122,747)**	**92,793**
Total comprehensive income attributable to equity shareholders of the Company	**(47,971)**	**(140,764)**	**92,793**
(Loss)/earnings per share			
Basic	(0.01)	(0.05)	0.04
Diluted	(0.01)	(0.05)	0.04

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) IFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with IFRS 15 (A) *RMB'000*	Hypothetical amounts under IAS 18 and IAS 11 (B) *RMB'000*	Difference Estimated impact of adoption of IFRS 15 on 2018 (A)–(B) *RMB'000*
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of IFRS 15:			
Deferred tax assets	1,400,667	1,386,612	14,055
Total non current assets	**15,521,121**	**15,507,066**	**14,055**
Properties under development and completed properties held of sale	32,464,688	33,237,385	(772,697)
Contract costs	246,555	–	246,555
Total current assets	**45,931,007**	**46,457,149**	**(526,142)**
Contract liabilities	9,094,428	–	9,094,428
Trade and other payables	7,207,298	6,037,535	1,169,763
Current tax liabilities	1,093,894	1,037,673	56,221
Sales deposits	–	11,354,349	(11,354,349)
Total current liabilities	**27,988,909**	**29,022,846**	**(1,033,937)**
Net current assets	**17,942,098**	**17,434,303**	**507,795**

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) IFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with IFRS 15 (A) *RMB'000*	Hypothetical amounts under IAS 18 and IAS 11 (B) *RMB'000*	Difference Estimated impact of adoption of IFRS 15 on 2018 (A)–(B) *RMB'000*
Total assets less current liabilities	**33,463,219**	**32,941,369**	**521,850**
Deferred tax liabilities	3,939,724	3,798,304	141,420
Total non-current liabilities	**23,854,924**	**23,713,504**	**141,420**
Net assets	**9,608,295**	**9,227,865**	**380,430**
Reserves	7,454,138	7,196,680	257,458
Total equity attributable to equity shareholders of the Company	**7,474,842**	**7,217,384**	**257,458**
Non-controlling interests	2,133,453	2,010,481	122,972
Total equity	**9,608,295**	**9,227,865**	**380,430**

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) IFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with IFRS 15 (A) *RMB'000*	Hypothetical amounts under IAS 18 and IAS 11 (B) *RMB'000*	Difference Estimated impact of adoption of IFRS 15 on 2018 (A)–(B) *RMB'000*
Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2018 impacted by adoption of IFRS 15:			
Profit before taxation	608,785	345,655	263,130
Increase in properties under development and completed properties held of sale	(502,512)	(847,581)	345,069
Increase in contract costs	(42,156)	–	(42,156)
Increase/(decrease) in trade and other payables, and contract retention payables	82,958	(1,040,467)	1,123,425
Increase in sales deposits	–	2,294,175	(2,294,175)
Increase in contract liabilities	604,707	–	604,707

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

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

In the Company's statement of financial position, an investment in a subsidiary is accounted for under equity method, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (Continued)

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

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

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

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

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill (Continued)

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

(g) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 29(e). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 1(y)(vii)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

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

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

Equity investments

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (Continued)

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see Note 1(l)(i) – policy applicable prior to 1 January 2018).

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

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investment property

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

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of each reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of investment properties is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(y)(iii).

When an own-occupied property becomes an investment property that will be carried at fair value, any surplus at the date of such transfer between the carrying amount of the property and its fair value is recorded in other comprehensive income and accumulated separately in equity in the property revaluation reserve, when a deficit arises, it will be charged to profit or loss.

(j) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(l)).

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

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

– Hotel properties	30–40 years
– Supermarkets	20–30 years
– Office premises	20–30 years
– Motor vehicles	5–8 years
– Office equipment	3–5 years

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment (Continued)

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

(k) Operating lease charges

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

(l) Credit losses and impairment of assets

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

(A) Policy applicable from 1 January 2018

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

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables including loans provided to non-controlling interests in subsidiaries, related parties, and third parties); and

- contract assets as defined in IFRS 15 (see Note 1(p));

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

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

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs

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

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

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

- variable-rate financial assets: current effective interest rate.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

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

(A) Policy applicable from 1 January 2018 (Continued)

ECLs are measured on either of the following bases:

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

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

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

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

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk (Continued)

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

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

Basis of calculation of interest income

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

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

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income (Continued)

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

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

(B) Policy applicable prior to 1 January 2018

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

Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

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

(B) Policy applicable prior to 1 January 2018 (Continued)

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued

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

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

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(A) Policy applicable from 1 January 2018

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

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

(A) Policy applicable from 1 January 2018 (Continued)

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

(B) Policy applicable prior to 1 January 2018

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

(iii) Impairment of other non-current assets

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

- property, plant and equipment (other than properties carried at revalued amounts); and
- goodwill.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

(iv) Interim financial reporting and impairment

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

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

(m) Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development for sale. Land development for sale is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land development for sale based on prevailing market conditions.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

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

– Completed property held for sale

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

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative for the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When properties under development and completed properties held for sale are sold, the carrying amount of those properties under development and completed properties held for sale is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of properties under development and completed properties held for sale to net realisable value and all losses of properties under development and completed properties held for sale are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of properties under development and completed properties held for sale is recognised as a reduction in the amount of properties under development and completed properties held for sale recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as properties under development and completed properties held for sale (see Note 1(n)), or property, plant and equipment (see Note 1(j)).

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 1(y)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 1(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 1(q)).

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue (see Note 1(y)). A contract liability would also be recognised if the group has an unconditional right to receive non-refundable consideration before the group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 1(q)).

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

(q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 1(p)).

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

(r) Loans and borrowings

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Convertible bonds

(i) Convertible notes that contain an equity component

Convertible notes that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible notes as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the notes are converted or redeemed.

If the notes are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the capital reserve is released directly to retained profits.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Convertible bonds (Continued)

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see Note 1(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible note are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 1(h). The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(t) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(l)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Cash and cash equivalents

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

(v) Employee benefits

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

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

Contributions to defined contributions retirement scheme as required under the relevant PRC laws and regulations are charged to profit or loss when incurred.

(ii) Termination benefits

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

(w) Income tax

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Income tax (Continued)

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Income tax (Continued)

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

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

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

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

  - the same taxable entity; or

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

(x) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Provisions and contingent liabilities (Continued)

(ii) Onerous contracts

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

(iii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortization where appropriate, and the amount that would be determined in accordance with Note 1(x)(i). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 1(x)(i).

(y) Revenue recognition

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition (Continued)

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

(i) Sale of properties

Revenue arising from the sale of properties with full payment in advance before the construction of respective properties are completed, and a corresponding contract asset (see Note 1(p)), are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual construction costs incurred relative to the estimated total construction costs.

Revenue arising from the sale of properties other than those with full payment in advance is recognised when legal assignment is complete, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see Note 1(p)).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the IAS 23, Borrowing Costs, in accordance with the policies set out in Note 1(aa), if significant.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition (Continued)

(i) Sale of properties (Continued)

In the comparative period, revenue from sale of properties under all contracts in the ordinary course of business is recognised when the construction of respective properties have been completed and the significant risks and rewards of ownership of the properties are transferred to the customers, that is when the customers completed the necessary procedures to acknowledge receipts of delivery of properties in accordance with the terms under the respective sales and purchases agreements, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under sales deposit and no interest expense was accrued on payments received in advance. The change in accounting policy for accruing interest on payments in advance does not have any material impact on the Group's opening balances as at 1 January 2018.

(ii) Revenue from land development for sale

Revenue from land development for sale is recognised upon the transfer of control in connection with the land development for sale and when the amount of revenue can be measured reliably, which occurs upon the completion of related works as well as the sale of land.

(iii) Rental income from operating leases

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

(iv) Property management and hotel operation income

Property management and hotel operation income is recognised over the periods in which the services management are rendered.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition (Continued)

(v) Property selling agency income

Property selling agency income mainly refers to the selling income of the property market. Property selling agency income is recognised according to the calculation method as stipulated in the relevant contracts when the service provided meets the terms required.

(vi) Brand-use service income

Brand-use service income is determined according to the period and fee calculation method as stipulated in the relevant contracts or agreements.

(vii) Interest income

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

(viii) Dividends

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

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

(aa) Borrowing costs

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

The principle activities of the Group are property and land development, property investment, property management and hotel operation, and light-asset operation. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018 **RMB'000**	2017 *(Note)* *RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	**6,944,119**	6,285,412
Property management and hotel operation income	**443,365**	388,472
Light-asset operation income	**38,726**	88,027
	7,426,210	6,761,911
Revenue from other sources		
Rental income from investment properties	**152,881**	112,672
	7,579,091	6,874,583
Disaggregated by timing of revenue recognition		
Point in time	**6,094,501**	6,373,439
Over time	**1,484,590**	501,144
	7,579,091	6,874,583

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 (See Note 1(c)(ii)).

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

Disaggregation of revenue from contracts with customers by segment and by the timing of revenue recognition is disclosed in Note 2(b)(i).

The Group's customer base is diversified and there are no customers with whom transactions have exceed 10% of the Group's revenue.

(ii) Total future minimum lease payments receivables by the Group

Total future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**122,968**	123,106
After 1 year but within 5 years	**341,718**	373,593
After 5 years	**304,425**	376,886
	769,111	873,585

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses based on its products and services, which are divided into property development that comprises mixed-use business complexes projects and multi-functional residential communities, investment properties, property management and hotel operation, and light-asset operation. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following five reportable segments:

(a) the mixed-use business complexes segment that develops and sells business complex products;

(b) the multi-functional residential communities segment that develops and sells residential properties and develops land;

(c) investment properties segment that leases offices and commercial premises;

(d) the property management and hotel operation segment that provides property management services, and hotel accommodation services; and

(e) the light-asset operation segment that provides property selling agency and brand-use services.

No operating segments have been aggregated to form the above reportable segments.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Segment profit represents the profit after taxation generated by individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Management is provided with segment information concerning revenue, cost of sales, valuation gains on investment properties, net operating expenses, finance costs, income tax, additions on investment properties and property and equipment, and loans and borrowings.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below:

	Year ended 31 December 2018					
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	1,176,631	4,879,144	–	–	38,726	**6,094,501**
Over time	221,258	667,086	152,881	443,365	–	**1,484,590**
Revenue from external customer	1,397,889	5,546,230	152,881	443,365	38,726	**7,579,091**
Inter-segment revenue	–	–	11,650	61,907	–	**73,557**
Reportable segment revenue	1,397,889	5,546,230	164,531	505,272	38,726	**7,652,648**
Cost of sales	(1,445,083)	(4,157,448)	–	(447,391)	(12,648)	**(6,062,570)**

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2018					
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Reportable segment gross (loss)/profit	**(47,194)**	**1,388,782**	**164,531**	**57,881**	**26,078**	**1,590,078**
Valuation gains on investment properties	-	-	888,666	-	-	888,666
Net operating expenses	(209,004)	(901,665)	(13,550)	(91,306)	(1,538)	(1,217,063)
Net finance (costs)/income	(579)	(171,049)	31	(20,268)	3	(191,862)
Reportable segment (loss)/profit before taxation	**(256,777)**	**316,068**	**1,039,678**	**(53,693)**	**24,543**	**1,069,819**
Income tax	45,453	(280,720)	(256,344)	(1,668)	(2,209)	(495,488)
Reportable segment (loss)/profit	**(211,324)**	**35,348**	**783,334**	**(55,361)**	**22,334**	**574,331**
Additions on investment properties and property and equipment	26,003	8,517	197,098	3,927	62	235,607

	At 31 December 2018					
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Loans and borrowings	4,571,818	16,453,862	-	581,440	-	21,607,120
Reportable segment assets	11,692,208	38,992,879	11,930,806	1,238,111	107,395	63,961,399
Reportable segment liabilities	11,628,000	38,458,643	534,896	1,017,670	55,804	51,695,013

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2017 *(Note)*					
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	1,271,224	5,014,188	–	–	88,027	6,373,439
Over time	–	–	112,672	388,472	–	501,144
Revenue from external customer	1,271,224	5,014,188	112,672	388,472	88,027	6,874,583
Inter-segment revenue	–	–	8,576	78,332	–	86,908
Reportable segment revenue	1,271,224	5,014,188	121,248	466,804	88,027	6,961,491
Cost of sales	(1,158,180)	(3,950,906)	–	(366,225)	(22,010)	(5,497,321)
Reportable segment gross profit	113,044	1,063,282	121,248	100,579	66,017	1,464,170
Valuation gains on investment properties	–	–	788,968	–	–	788,968
Net operating expenses	(210,035)	(767,221)	(5,165)	(109,572)	(1,721)	(1,093,714)
Net finance income/(costs)	4,944	(98,991)	4	(37,140)	(50)	(131,233)
Reportable segment (loss)/profit before taxation	(92,047)	197,070	905,055	(46,133)	64,246	1,028,191
Income tax	5,720	(177,994)	(218,462)	8,068	(5,792)	(388,460)
Reportable segment (loss)/profit	(86,327)	19,076	686,593	(38,065)	58,454	639,731

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2017 *(Note)*					
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Additions on investment properties and property and equipment	2,306	5,454	335,489	5,532	204	348,985

	At 31 December 2017 *(Note)*					
	Mixed-use business complexes *RMB'000*	Multi-functional residential communities *RMB'000*	Investment properties *RMB'000*	Property management and hotel operation *RMB'000*	Light-asset operation *RMB'000*	Total *RMB'000*
Loans and borrowings	5,664,218	17,277,253	–	611,427	–	23,552,898
Reportable segment assets	12,165,995	30,437,018	11,074,957	1,203,057	169,196	55,050,223
Reportable segment liabilities	12,989,434	30,997,300	282,736	965,549	110,740	45,345,759

Note: The Group has initially applied IFRS 15 using the cumulative effect method, the comparative information is not restated and was prepared in accordance with IAS 18 (see Note 1(c)(ii)).

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenue, profit, assets and liabilities

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**7,652,648**	6,961,491
Elimination of intra-group revenue	**(73,557)**	(86,908)
Consolidated revenue *(Note 2(a))*	**7,579,091**	6,874,583
Profit		
Reportable segment profit	**574,331**	639,731
Elimination of intra-group loss	**25,581**	17,851
Unallocated head office and corporate (loss)/income	**(357,139)**	191,140
Consolidated profit	**242,773**	848,722
Loans and borrowings		
Reportable segment loans and borrowings	**21,607,120**	23,552,898
Unallocated head office and corporate loans and borrowings	**8,088,186**	3,212,241
Consolidated loans and borrowings	**29,695,306**	26,765,139
Assets		
Reportable segment assets	**63,961,399**	55,050,223
Elimination of intra-group balances	**(19,957,249)**	(13,602,228)
Unallocated head office and corporate assets	**17,447,978**	14,332,318
Consolidated total assets	**61,452,128**	55,780,313
Liabilities		
Reportable segment liabilities	**51,695,013**	45,345,759
Elimination of intra-group balances	**(19,217,022)**	(14,474,297)
Unallocated head office and corporate liabilities	**19,365,842**	15,746,518
Consolidated total liabilities	**51,843,833**	46,617,980

2 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenue, profit, assets and liabilities (Continued)

Note: The Group has initially applied IFRS 15 using the cumulative effect method, the comparative information is not restated and was prepared in accordance with IAS 18 (see Note 1(c)).

(iii) Geographical information

The Group's operations are substantially located in the PRC, therefore no geographical segment reporting is presented.

3 OTHER INCOME

	Note	**2018** ***RMB'000***	2017 *RMB'000*
Gain on bargain purchase	(i)	**250,519**	–
Net gain/(loss) on disposal of investment properties		**9,085**	(15,741)
Others		**19,366**	36,508
		278,970	20,767

Note (i): Gain on bargain purchase for the year ended 31 December 2018 primarily represented the excess of the fair value of identifiable net assets of Shaanxi Jinyuan Napa Real Estate Development Co., Ltd acquired during the year over the consideration for the acquisition by RMB247,315,000 (Note 33).

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs

	Note	2018 RMB'000	2017 RMB'000
Finance income			
Interest income on financial assets measured at amortised cost		**(517,404)**	(285,662)
Net foreign exchange gain		**–**	(26,116)
Net change in fair value of the trading securities		**–**	(12,260)
Dividend income from the trading securities		**(1,950)**	(8,464)
Net change in fair value of the derivative component of the convertible bonds *(Note 23(d))*		**–**	(84,589)
		(519,354)	(417,091)
Finance costs			
Total interest expense on loans and borrowings *(Note 21(b))*		**2,657,834**	2,506,616
Less: Interest expense capitalised into land development for sale, properties under development and investment properties under construction	(i)	**(2,274,488)**	(2,168,544)
		383,346	338,072
Net change in fair value of the derivative component of the convertible bonds *(Note 23(d))*		**16,745**	–
Net foreign exchange loss		**130,450**	–
Net change in fair value of the trading securities		**6,154**	–
Bank charges and others		**14,093**	20,843
		550,788	358,915

4 PROFIT BEFORE TAXATION (CONTINUED)

(a) Finance income and finance costs (Continued)

Note:

(i) The borrowing costs have been capitalised at a rate of 4.69%–18.00% per annum (2017: 3.29%–13.00%).

(b) Staff costs

	2018	2017
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plan	**37,555**	30,451
Salaries, wages and other benefits	**528,258**	464,139
	565,813	494,590

(c) Other items

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Depreciation	**55,078**	43,286
Net loss on disposal of property and equipment	**432**	918
Operating lease charges in respect of properties	**22,666**	24,526
Rental receivable from investment properties less direct outgoing of RMB Nil	**(152,881)**	(112,672)
Impairment losses of trade and other receivables	**958,003**	83
Reversal of write-down of properties under development and completed properties held for sale	**(31,622)**	(23,772)
Auditors' remuneration		
– Audit services	**10,916**	8,526
– Tax services	**3,757**	627

Note: The Group initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 1(c)(ii).

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of comprehensive income represents:

	Note	2018 RMB'000	2017 RMB'000
Provision for the year			
– PRC Corporate Income Tax		**254,721**	164,916
– Land Appreciation Tax		**184,381**	179,430
Over-provision of PRC Corporate Income Tax in respect of prior years		**(348)**	(14,429)
Deferred tax	13(b)	**(72,742)**	116,942
		366,012	446,859

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the "BVI"), the Group incorporated in the Cayman Islands and the BVI, are not subject to any income tax.

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%, except for certain projects which are charged on the contract revenue of properties sold or pre-sold at different rates ranged from 5% to 7% based on types of properties.

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018 **RMB'000**	2017 RMB'000
Profit before taxation	**608,785**	1,295,581
Notional tax at profit before taxation, calculated at the tax rate of 25%	**152,196**	323,895
Provision for Land Appreciation Tax	**184,381**	179,430
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	**(46,095)**	(44,858)
Tax effect of unused tax losses not recognised	**34,825**	26,679
Effect of preferential tax rate	**92,046**	(34,640)
Tax effect of share of profits less losses of associates	**7,054**	(2,717)
Tax effect of non-deductible expenses	**3,779**	13,499
Over-provision in prior years	**(348)**	(14,429)
Tax effect of non-taxable income	**(61,826)**	–
Actual tax expense	**366,012**	446,859

6 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2018 Total RMB'000
Chairman:					
Mr. Yi Xiaodi	–	1,246	960	42	2,248
Executive director:					
Mr. Fan Xiaochong	–	1,182	960	40	2,182
Non-executive directors:					
Mrs. Fan Xiaohua ("Mrs. Fan")	–	580	144	–	724
Mr. Wang Gongquan	238	–	–	–	238
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	238	–	–	–	238
Mr. Gu Yunchang	238	–	–	–	238
Mr. Wang Bo	238	–	–	–	238
	952	3,008	2,064	82	6,106

6 DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2017 Total RMB'000
Chairman:					
Mr. Yi Xiaodi	–	1,227	1,146	27	2,400
Executive director:					
Mr. Fan Xiaochong	–	1,183	960	23	2,166
Non-executive directors:					
Mrs. Fan	–	580	150	–	730
Mr. Wang Gongquan	197	–	–	–	197
Independent non-executive directors:					
Mr. Ng Fook Ai, Victor	208	–	–	–	208
Mr. Gu Yunchang	208	–	–	–	208
Mr. Wang Bo	197	–	–	–	197
	810	2,990	2,256	50	6,106

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: two) are directors whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other three (2017: three) individuals are as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Salaries and other emoluments	**2,466**	4,038
Discretionary bonuses	**2,149**	1,627
Retirement scheme contributions	**104**	153
	4,719	5,818

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The emoluments of the three (2017: three) individuals with the highest emoluments are within the following bands presented in Hong Kong Dollar ("HKD"):

	2018 *Numbers of individuals*	2017 *Numbers of individuals*
HKD1,500,001 to HKD2,000,000	**2**	1
HKD2,000,001 to HKD2,500,000	**1**	1
HKD2,500,001 to HKD3,000,000	**–**	1

8 (LOSS)/EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB29,954,000 (2017: profit attributable to equity shareholders of the Company of RMB593,093,000) and the weighted average of 2,611,907,327 ordinary shares (2017: 2,377,214,149 shares) in issue during the year, calculated as follows:

	2018	2017
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	**2,611,736,625**	2,375,000,000
Effect of issuance of shares	**–**	1,931,959
Exercise of conversion of convertible bonds	**170,702**	282,190
Weighted average number of ordinary shares at 31 December	**2,611,907,327**	2,377,214,149

8 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

There was no difference between basic and diluted earnings per share for the year ended 31 December 2018.

For the year ended 31 December 2017, the calculation of diluted earnings per share is based on the diluted profit attributable equity shareholders of the Company of RMB516,318,000 and diluted weighted average number of ordinary shares of 2,797,366,786, calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2017 *RMB'000*
Profit attributable to equity shareholders	**593,093**
After tax effect of effective interest on the liability component of convertible bonds	**39,442**
After tax effect of gains recognised on the derivative component of convertible bonds	**(116,217)**
Profit attributable to equity shareholders (diluted)	**516,318**

(ii) Weighted average number of ordinary shares (diluted)

	2017
Weighted average number of ordinary shares at 31 December	**2,377,214,149**
Effect of conversion of convertible bonds	**420,152,637**
Weighted average number of ordinary shares (diluted) at 31 December	**2,797,366,786**

9 PROPERTY AND EQUIPMENT

	Hotel properties RMB'000	Supermarkets RMB'000	Office premise RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2017	653,376	59,407	167,801	49,560	88,992	1,019,136
Acquisition of subsidiaries	–	–	–	–	183	183
Additions	–	–	1,603	3,742	10,968	16,313
Transfer from investment properties *(Note 10)*	73,173	–	–	–	–	73,173
Transfer to properties under development and completed properties held for sale	–	–	(20,709)	–	–	(20,709)
Transfer to investment properties *(Note 10)*	–	–	(56,273)	–	–	(56,273)
Disposals	–	–	(464)	(4,072)	(4,404)	(8,940)
At 31 December 2017	726,549	59,407	91,958	49,230	95,739	1,022,883
At 1 January 2018	**726,549**	**59,407**	**91,958**	**49,230**	**95,739**	**1,022,883**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**663**	**663**
Reclassification	**-**	**-**	**15,498**	**-**	**(15,498)**	**-**
Additions	**24,071**	**970**	**768**	**5,590**	**13,074**	**44,473**
Transfer to properties under development and completed properties held for sale	**-**	**-**	**(15,498)**	**-**	**-**	**(15,498)**
Disposals	**(2,044)**	**(21)**	**(894)**	**(3,425)**	**(8,810)**	**(15,194)**
At 31 December 2018	**748,576**	**60,356**	**91,832**	**51,395**	**85,168**	**1,037,327**

9 PROPERTY AND EQUIPMENT (CONTINUED)

	Hotel properties *RMB'000*	Supermarkets *RMB'000*	Office premise *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
Accumulated depreciation:						
At 1 January 2017	126,270	3,857	50,642	33,944	58,443	273,156
Charge for the year	25,471	1,221	6,142	3,532	6,920	43,286
Transfer to properties under development and completed properties held for sale	–	–	(4,893)	–	–	(4,893)
Transfer to investment properties *(Note 10)*	–	–	(1,302)	–	–	(1,302)
Written back on disposals	–	–	(144)	(3,051)	(2,598)	(5,793)
At 31 December 2017	151,741	5,078	50,445	34,425	62,765	304,454
At 1 January 2018	151,741	5,078	50,445	34,425	62,765	304,454
Charge for the year	27,393	1,826	7,288	4,895	13,676	55,078
Reclassification	–	–	12,941	–	(12,941)	–
Transfer to properties under development and completed properties held for sale	–	–	(12,941)	–	–	(12,941)
Written back on disposals	(1,552)	(20)	(826)	(1,248)	(3,482)	(7,128)
At 31 December 2018	**177,582**	**6,884**	**56,907**	**38,072**	**60,018**	**339,463**
Net book value:						
At 31 December 2017	574,808	54,329	41,513	14,805	32,974	718,429
At 31 December 2018	**570,994**	**53,472**	**34,925**	**13,323**	**25,150**	**697,864**

9 PROPERTY AND EQUIPMENT (CONTINUED)

(a) The analysis of net book value of properties

The net book values of hotel properties, supermarkets and office premise in aggregate of RMB659,391,000 as at 31 December 2018 (2017: RMB670,650,000), were under medium-term leases in the PRC.

(b) Certain portion of the Group's hotel properties were pledged against certain loans and borrowings, details of which are set out on Note 23(i).

(c) As at 31 December 2018, the Group had not obtained ownership certificates for certain hotel properties, supermarkets and office premises with aggregate carrying value of RMB30,713,000 (2017: RMB32,607,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

10 INVESTMENT PROPERTIES

	Properties under construction *RMB'000*	Completed properties *RMB'000*	Total *RMB'000*
At 1 January 2017	1,020,430	8,091,092	9,111,522
Additions	296,191	39,011	335,202
Transfer from properties under development and completed properties held for sale	37,100	559,497	596,597
Transfer from properties and equipment *(Note 9)*	–	54,971	54,971
Valuation gains on investment properties for the year	264,418	524,550	788,968
Valuation surplus on investment properties for the year	–	4,228	4,228
Transfer to properties and equipment *(Note 9)*	–	(73,173)	(73,173)
Disposals	–	(61,128)	(61,128)
At 31 December 2017	1,618,139	9,139,048	10,757,187
At 1 January 2018	1,618,139	9,139,048	10,757,187
Additions	196,776	–	196,776
Transfer from properties under development and completed properties held for sale	89,944	391,983	481,927
Valuation gains on investment properties for the year	71,952	816,714	888,666
Transfer to completed properties	(642,419)	642,419	–
Disposals	–	(617,310)	(617,310)
At 31 December 2018	1,334,392	10,372,854	11,707,246

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2018	**Fair value measurements as at 31 December 2018 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement				
Investment properties:				
– Commercial	**11,707,246**	–	–	**11,707,246**

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Investment properties:				
– Commercial	10,757,187	–	–	10,757,187

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties (Continued)

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: RMB Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's completed investment properties and investment properties under construction were revalued as at 31 December 2018. The valuations were carried out by CHFT Advisory And Appraisal Ltd ("CHFT"), a firm of independent qualified valuers in Hong Kong with recent experience in the location and category of properties being valued. The Group's finance manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Completed investment properties	Direct comparison approach, and	Market unit sale price *(RMB/sq. m.)*	6,625–72,107 (2017: 6,313–68,702)	22,744 (2017: 21,328)
	Income capitalization approach	Capitalisation rate	3.5%–7.0% (2017: 3.5%–7.0%)	5.3% (2017: 5.4%)
		Market monthly rent rate *(RMB/sq.m.)*	15–266 (2017: 14–247)	126 (2017: 115)
Investment properties under construction	Direct comparison approach	Market unit sale price *(RMB/sq.m.)*	13,599–30,248 (2017: 13,248–30,039)	26,658 (2017: 26,757)

10 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value measurement of properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair values of completed investment properties is determined using an open market value basis with reference to comparable sales transactions as identified in the relevant markets, and where, appropriate, taking into account the fair market valuations using the income capitalization approach. The fair value measurement is positively correlated to the market monthly rent rate, market unit sale price, and negatively correlated to the capitalization rate.

The investment properties under construction have been valued on the basis that the properties will be constructed and completed in accordance with the relevant development plans. The valuation were performed by CHFT by using the direct comparison approach which is commonly used in valuating development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deductions on construction costs, professional fees and interest payments to be incurred as at the valuation date as well as developer's profits. The fair value measurement is positively correlated to the market unit sale price.

The gain/(loss) on disposal of investment properties and changes in fair value of investment properties are presented in "other income/(losses)" and "valuation gains on investment properties" in the consolidated statements of comprehensive income, respectively.

(b) The investment properties were under medium-term leases in the PRC.

(c) Certain investment properties of the Group were pledged against the loans and borrowings, details are set out in Note 23(i).

(d) As at 31 December 2018, the Group had not obtained ownership certificates for certain completed investment properties with aggregate carrying value of RMB1,035,698,000 (2017: RMB2,216,148,000). The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

(e) As at 31 December 2018, completed investment properties with carrying value of RMB72,203,000 of the Group (2017: RMB70,375,000), were pledged with banks to secure banking facilities of a third party of the Group until July 2021.

(f) As at 31 December 2018, certain investment properties with carrying value of RMB1,262,000,000 (2017: RMB1,294,400,000) of the Group are not permitted for sale until the end of May 2021.

11 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

	Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
1	Guangxi Vantone Real Estate Co., Ltd. ("Guangxi Vantone") 廣西萬通房地產有限公司**	Guangxi Zhuang, Autonomous Region, the PRC	RMB192,525,900	100%	–	100%	Property development
2	Sunshine 100 Real Estate Group Co., Ltd. ("Sunshine 100 Group") 陽光壹佰置業集團有限公司*	Beijing, the PRC	RMB1,000,000,000	100%	–	100%	Investment holding
3	Chongqing Sunshine 100 Real Estate Development Co., Ltd. ("Chongqing Sunshine 100") 重慶陽光壹佰房地產開發有限公司*	Chongqing, the PRC	RMB100,000,000	100%	–	100%	Property development
4	Qing Yuan Liantou Properties Limited ("Qing Yuan Liantou Properties") 清遠聯投置業有限公司*	Guangdong Province, the PRC	HKD256,000,000	55%	–	55%	Property development
5	Wuxi Suyuan Real Estate Co., Ltd. ("Wuxi Suyuan") 無錫蘇源置業有限公司*	Jiangsu Province, the PRC	RMB300,000,000	100%	–	100%	Property development
6	Sunshine 100 Real Estate (Liaoning) Co., Ltd. ("Liaoning Sunshine 100") 陽光一百置業(遼寧)有限公司*	Liaoning Province, the PRC	USD169,000,000	100%	–	100%	Property development
7	Chang Jia International Limited ("Chang Jia") 長佳國際有限公司	the BVI	USD50,000	55%	–	55%	Investment holding *Note (i)*

11 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
8 Wenzhou Center Plaza Construction Development Co., Ltd. ("Wenzhou Center") 溫州中心大廈建設發展有限公司*	Zhejiang Province, the PRC	RMB204,080,000	51%	–	51%	Property development *Notes (i)*
9 Jinan Sunshine 100 Real Estate Development Co., Ltd. ("Jinan Sunshine 100") 濟南陽光壹佰房地產開發有限公司*	Shandong Province, the PRC	RMB100,000,000	49%	–	49%	Property development *Note (i)*
10 Xizang Sunshine 100 Sales Management Co., Ltd. ("Xizang Sales Management") 西藏陽光壹佰營銷管理有限公司*	Tibet Autonomous Region, the PRC	RMB100,000,000	100%	–	100%	Sales Management
11 Shaanxi Jinyuan Napa Real Estate Development Co., Ltd. ("Shaanxi Jinyuan") 陝西金源納帕房地產開發有限公司	Shaanxi Province, the PRC	RMB101,000,000	100%	–	100%	Property development

* The Company is registered as a limited liability company in the PRC.

** The Company is registered as a Sino-foreign equity joint venture enterprise in the PRC.

11 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following tables list out the information relating to Jinan Sunshine 100, Chang Jia and Wenzhou Center, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2018	2017
	RMB'000	*RMB'000*
Jinan Sunshine 100		
NCI percentage	**51%**	51%
Current assets	**1,981,334**	1,684,953
Non-current assets	**1,536,778**	1,266,794
Current liabilities	**(1,208,357)**	(880,157)
Non-current liabilities	**(884,162)**	(894,534)
Net assets	**1,425,593**	1,177,056
Carrying amount of NCI	**727,052**	600,299
Revenue	**357,940**	1,096,169
Profit for the year	**245,262**	207,491
Total comprehensive income	**245,262**	304,645
Profit allocated to NCI	**125,084**	155,369
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**699,756**	147,202
Cash flows from investing activities	**(223)**	(257)
Cash flows from financing activities	**(480,000)**	(30,000)

11 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	2018 RMB'000	2017 RMB'000
Chang Jia		
NCI percentage	**45%**	45%
Current assets	**3,648,620**	3,399,095
Non-current assets	**87,983**	89,820
Current liabilities	**(2,755,733)**	(2,531,036)
Non-current liabilities	**(101,984)**	(444,189)
Net assets	**878,886**	513,690
Carrying amount of NCI	**395,491**	231,161
Revenue	**1,267,999**	1,008,524
Profit for the year	**329,496**	125,750
Total comprehensive income	**329,496**	125,750
Profit allocated to NCI	**148,273**	56,588
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**320,822**	1,073,300
Cash flows from investing activities	**(541,572)**	(795,770)
Cash flows from financing activities	**(165,546)**	326,141

	2018 RMB'000	2017 RMB'000
Wenzhou Center		
NCI percentage	**49%**	49%
Current assets	**2,404,167**	3,171,587
Non-current assets	**973,199**	922,110
Current liabilities	**(1,888,578)**	(2,640,301)
Non-current liabilities	**(905,827)**	(932,081)
Net assets	**582,961**	521,315
Carrying amount of NCI	**285,651**	255,444
Revenue	**1,013,120**	–
Profit for the year	**37,495**	87,677
Total comprehensive income	**37,495**	87,677
Profit allocated to NCI	**18,373**	42,961
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**112,607**	386,835
Cash flows from investing activities	**(325)**	(143)
Cash flows from financing activities	**(420,000)**	(330,000)

12 INVESTMENTS IN ASSOCIATES

The following list contains only the particulars of the material associates, all of which are unlisted corporate entities incorporated in the PRC, whose quoted market prices are not available.

	Name of company	Place of incorporation	Particulars and paid-in capital *RMB'000*	Proportion of ownership interest held by subsidiaries	Principal activity
1	Beijing Yinxin Guanghua Real Estate Development Co., Ltd. ("Beijing Yinxin") 北京銀信光華房地產開發有限公司	Beijing, the PRC	66,660	49%	Property investment
2	Guangxi Tianqi Investment Co., Ltd. ("Guangxi Tianqi") 廣西天祺投資有限公司	Guangxi, the PRC	60,000	30%	Property investment

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2018 ***RMB'000***	2017 *RMB'000*
Beijing Yinxin		
Current assets	**198,461**	172,695
Non-current assets	**1,215,631**	1,194,823
Current liabilities	**(109,632)**	(99,905)
Non-current liabilities	**(306,900)**	(301,650)
Equity	**997,560**	965,963
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**997,560**	965,963
Group's effective interest	**49%**	49%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	**488,804**	473,321
Revenue	**25,623**	14,882
Profit from continuing operations	**29,280**	47,387
Total comprehensive income	**29,280**	47,387
Dividends received from the associate	**–**	–

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

	2018 **RMB'000**	2017 RMB'000
Guangxi Tianqi		
Current assets	**1,838,999**	1,187,833
Non-current assets	**185**	359
Current liabilities	**(854,149)**	(715,809)
Non-current liabilities	**–**	–
Equity	**985,035**	472,383
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**985,035**	472,383
Group's effective interest	**30%**	30%
Group's share of net assets of the associate/carrying amount in the consolidated financial statement	**295,510**	141,715
Revenue	**381,525**	217,518
Profit from continuing operations	**40,268**	44,692
Total comprehensive income	**40,268**	44,692
Dividends received from the associate	**–**	–

Aggregate information of associates that are not individually material:

	2018 **RMB'000**	2017 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**120,693**	141,980
Aggregate amounts of the Group's share of those associates'		
– Loss from continuing operations	**(54,644)**	(25,758)
– Total comprehensive income	**(54,644)**	(25,758)

13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2018	2017
	RMB'000	*RMB'000*
PRC Corporate Income Tax payable	**719,411**	673,759
Land Appreciation Tax payable	**374,483**	291,207
	1,093,894	964,966

(b) Deferred tax assets and liabilities recognised:

(i) Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:		**Tax losses**	**Land development for sale, properties under development and completed properties held for sale *(Note 2)***	**Investment properties**	**Amortisation of capitalised contract costs *(Note 1)***	**Loss allowance**	**Property and equipment**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017		402,799	(1,344,504)	(1,389,888)	–	–	(8,457)	(2,340,050)
Credited/(charged) to profit or loss	5(a)	98,981	(38,535)	(177,571)	–	–	183	(116,942)
Charged to other comprehensive income		–	–	–	–	–	(1,057)	(1,057)
At 31 December 2017		501,780	(1,383,039)	(1,567,459)	–	–	(9,331)	(2,458,049)
Impact on initial application of IFRS 15		–	(23,054)	–	(51,099)	–	–	(74,153)

13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: *(Continued)*

(i) Movements of each component of deferred tax assets and liabilities (Continued)

Deferred tax arising from:	Note	Tax losses	Land development for sale, properties under development and completed properties held for sale *(Note 2)*	Investment properties	Amortisation of capitalised contract costs *(Note 1)*	Loss allowance	Property and equipment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018		501,780	(1,406,093)	(1,567,459)	(51,099)	–	(9,331)	(2,532,202)
Credited/(charged) to profit or loss	5(a)	76,033	16,743	(199,058)	(10,540)	189,181	383	72,742
Acquisition of subsidiaries		–	(79,597)	–	–	–	–	(79,597)
At 31 December 2018		577,813	(1,468,947)	(1,766,517)	(61,639)	189,181	(8,948)	(2,539,057)

Note 1: Upon the initial application of IFRS 15, the Group has recognised deferred tax liabilities arising from the capitalization of contract costs which had been expensed in prior periods (see Note 1(c)(ii)).

Note 2: Upon the initial application of IFRS 15, the Group has recognised deferred tax liabilities arising from the earlier revenue and profit recognition for the property sales contracts that require advance payment in full of the total consideration over time (see Note 1(c)(ii)).

(ii) Reconciliation to the consolidated statement of financial position:

	2018 **RMB'000**	2017 *(Note)* *RMB'000*
Deferred tax assets recognised in the consolidated statement of financial position	**1,400,667**	1,071,458
Deferred tax liabilities recognised in the consolidated statement of financial position	**(3,939,724)**	(3,529,507)
	(2,539,057)	(2,458,049)

Note: The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Comparative information has not been restated.

13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(w), the Group has not recognised deferred tax assets in respect of cumulative tax losses in certain subsidiaries of RMB690,142,000 at 31 December 2018 (2017: RMB756,408,000), as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant subsidiaries. As at 31 December 2018, RMB77,243,000, RMB113,740,000, RMB169,357,000, RMB142,745,000 and RMB187,057,000 of these tax losses will expire in 2019, 2020, 2021, 2022 and 2023, respectively.

(d) Deferred tax liabilities not recognised

According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profits earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future. As at 31 December 2018, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB6,274,337,000 (2017: RMB5,574,975,000). Deferred tax liabilities of RMB627,434,000 (2017: RMB557,498,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits earned subsequent to 1 January 2008 will not be distributed in the foreseeable future.

14 OTHER NON-CURRENT FINANCIAL ASSETS

	2018 ***RMB'000***	2017 *RMB'000*
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	**103,777**	–

15 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	31 December 2018 RMB'000	1 January 2018 Note(i) RMB'000	31 December 2017 Note(i) RMB'000
Properties under development	**25,884,879**	**20,558,099**	20,909,265
Completed properties held for sale	**6,579,809**	**7,194,396**	7,270,858
	32,464,688	**27,752,495**	28,180,123

(a) The analysis of carrying value of leasehold land included in properties under development and completed properties held for sale is as follows:

	2018 RMB'000	2017 Note(i) RMB'000
In the PRC		
– Long-term lease	**3,379,719**	2,641,935
– Medium-term lease	**2,203,785**	1,836,830
	5,583,504	4,478,765

(b) The amount of properties under development expected to be recovered after more than one year is analyzed as follows:

	2018 RMB'000	2017 Note(i) RMB'000
Properties under development	**19,157,170**	14,103,436

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

15 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE (CONTINUED)

(c) The analysis of the amount of properties under development and completed properties held for sale recognised as cost of sales and included in profit or loss is as follows:

	2018 ***RMB'000***	2017 *Note(i)* *RMB'000*
Carrying amount of properties sold	**5,524,943**	5,004,432
Reversal of properties under development and completed properties held for sale	**(31,622)**	(23,772)
	5,493,321	4,980,660

(d) Certain properties under development and completed properties held for sale of the Group were pledged against the loans and borrowings, details are set out in Note 23(i).

Note (i): The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Comparative information has not been restated.

16 LAND DEVELOPMENT FOR SALE

	2018 ***RMB'000***	2017 *RMB'000*
Land development for sale	**866,431**	1,136,350

Land development for sale mainly represents the cost of land development for the Group's land development projects. Though the Group does not have ownership title or land use rights to the land, the Group is given the right to carry out preparation works in respect of land infrastructure in those projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales.

Land development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

In accordance with the accounting policy set out in Note 1(y)(ii), revenue in relation to land development for sale is recognised depending on the timing of sales of related land plots by the government to third parties.

17 CONTRACT COSTS

	Note	**31 December 2018** **RMB'000**	**1 January 2018** ***Note (i)*** **RMB'000**	31 December 2017 *Note (i)* RMB'000
Contract costs				
– Sales commissions	(ii)	**246,555**	**204,399**	–

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Comparative information has not been restated.

(ii) Upon the adoption of IFRS 15, opening adjustment made at 1 January to capitalise certain sales commissions which expensed in prior periods. This has resulted in an increase in contract costs as that date (see Note 1(c)(ii)).

Contract costs capitalised as at 31 December 2018 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at reporting date. Contract costs are recognised as part of "Selling expenses" in the statement of comprehensive income in the period in which sales from properties is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB178,104,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

In the comparative period, such sales commission were recognised as "selling expenses" when incurred and therefore an opening balance adjustment was made on 1 January 2018 in this regards (see Note 1(c)(ii)).

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of properties as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

The amount of capitalised contract costs that is expected to be recovered after more than one year is RMB93,767,000.

18 CONTRACT LIABILITIES

	Note	31 December 2018 RMB'000	1 January 2018 Note (i) RMB'000	31 December 2017 Note (i) RMB'000
Contract liabilities				
– Sales deposits	(ii)	**9,094,428**	**8,083,120**	–

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Comparative information has not been restated.

(ii) Upon the adoption of IFRS 15, the Group has reclassified from "Sales deposits" (Note 25) to "Contract liabilities" (see Note 1(c)(ii)).

(iii) The amount of revenue recognised in the reporting period that was included in the contract liabilities balance at the beginning of the period is RMB5,570,730,000. The amount of sales deposits expected to be recognised as income after more than one year is RMB4,164,893,000 (2017: RMB3,082,843,000 which were included under "Sales deposits").

19 TRADE AND OTHER RECEIVABLES

	Note	31 December 2018 RMB'000	31 December 2017 Note RMB'000
Trade receivables and bill receivables	(a)	**952,602**	930,582
Loans provided to third parties, net of loss allowance	(b)	**3,029,336**	3,417,153
Loans provided to non-controlling interests of subsidiaries, net of loss allowance		**951,818**	853,487
Loans provided to associates	(c)	**648,417**	54,103
Amounts due from other related parties	30(a)	**138,059**	–
Other receivables, net of loss allowance		**354,885**	223,669
Financial assets measured at amortised cost, net of loss allowance		**6,075,117**	5,478,994
Deposits and prepayments		**2,176,022**	1,939,860
		8,251,139	7,418,854
Less: non-current portion of other receivables		**576,506**	338,948
		7,674,633	7,079,906

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bill receivables, based on the revenue recognition date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**130,814**	128,331
6 months to 1 year	**22,227**	43,698
Over 1 year	**799,561**	758,553
	952,602	930,582

(b) Loans provided to third parties

The balance mainly represented loans provided to third parties which were interest bearing at a weighted interest rate of 11% (2017: 10%) per annum. Pursuant to the accounting policy as set out in Note 1, management measures loss allowance for loans provided to third parties on an individual basis at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of the loan balance since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

During the year ended 31 December 2018, a total loss allowance of RMB902 million was recognised on the loans provided to third parties, which was primarily related to loans provided to a number of companies indirectly owned by an individual (the "**Individual**") or guaranteed by the Individual, with an outstanding balance totalled RMB1,002 million as at 31 December 2018. Management determined that the credit risks of such balances of RMB1,002 million related to the Individual increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB852 million has been recognised thereon (see Note 29(a)). Management's estimation on the loss allowance has considered the value of the legal titles of land and properties obtained by the Group as collaterals and other forms of guarantees provided by the debtors and the Individual as credit enhancements.

(c) Loans provided to associates

The balance as at 31 December 2018 represented loans provided to associates, which were unsecured and bearing interest rate at 12% per annum, of which RMB411,910,000 will be matured in 2021, with the remaining balance due within one year.

Note: The Group has initially applied IFRS 9 and no opening adjustments on ECLs at 1 January 2018 was made (see Note 1(c)(i)).

20 RESTRICTED DEPOSITS

	Note	2018 RMB'000	2017 RMB'000
Non-current restricted deposits for:			
– Guarantee for mortgage loans	(i)	**18,294**	–
– Guarantee for demolition fees	(ii)	**35**	–
– Guarantee for construction fees	(iii)	**9,393**	8,066
– Restricted cash related to pre-sale proceeds received	(v)	**95,873**	54,269
– Guarantee for loans and borrowings	21(b)/23(i)	**6,459**	–
		130,054	62,335
Current restricted deposits for:			
– Guarantee for mortgage loans	(i)	**140,743**	178,565
– Guarantee for demolition fees	(ii)	**20,284**	19,860
– Guarantee for construction fees	(iii)	**64,231**	67,013
– Guarantee for bills payable	(iv)	**22,437**	12,970
– Restricted cash related to pre-sale proceeds received	(v)	**559,288**	436,115
– Guarantee for loans and borrowings	21(b)/23(i)	**1,168,424**	173,255
		1,975,407	887,778
		2,105,461	950,113

The above restricted deposits are restricted as follows:

(i) The Group has entered into agreements with certain banks and other financial institutions with respect to mortgage loans provided to buyers of the Group's property units. As at 31 December 2018, the Group had restricted bank deposits of RMB159,037,000 (2017: RMB178,565,000), as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank or other financial institution can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks and other financial institutions or the related mortgage loans are repaid by buyers.

(ii) As at 31 December 2018, the Group had restricted bank deposits of RMB20,319,000 (2017: RMB19,860,000), as non-cancellable guarantees on demolition fees payable to original residents. Should the Group fail to pay the demolition fees, the government can draw down the security deposits up to the amount of outstanding demolition fees and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(iii) As at 31 December 2018, pursuant to a government regulation, the Group had restricted deposits placed at banks of RMB73,624,000 (2017: RMB75,079,000), as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank or the government can drawdown the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

20 RESTRICTED DEPOSITS (CONTINUED)

(iv) As at 31 December 2018, the Group had restricted bank deposits with terms of one to six months of RMB22,473,000 (2017: RMB12,970,000), as security for settlement of bills payable. Should the Group fail to settle the bills payable, the bank can draw down the security deposits up to the amount of outstanding bills payable and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(v) In accordance with relevant government regulations, certain project companies of the Group are required to place the pre-sale proceeds of properties received of RMB655,161,000, at designated bank accounts as guarantee deposits for construction work of related properties as at 31 December 2018 (2017: RMB490,384,000). The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant properties upon the approval of Authorities of the Ministry of Housing and Urban-Rural Development and relevant banks. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2018	2017
	RMB'000	*RMB'000*
Cash on hand	**672**	1,602
Cash at bank	**2,587,958**	4,652,587
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**2,588,630**	4,654,189

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities

	Loans and borrowings *RMB'000* *Note (i)*	Senior Notes *RMB'000* *Note 23(a)/(b)*	Corporate bonds *RMB'000* *Note 23(c)*	Convertible bonds *RMB'000* *Note 23(d)*	Restricted deposits for guarantee for loans and borrowings *RMB'000* *Note 20*	Interest payables *RMB'000* *Note (ii)*	Deposits related to loans *RMB'000* *Note (iii)*	Amounts due to related parties *RMB'000*	Total *RMB'000*
At 1 January 2018	**15,957,628**	**1,521,917**	**7,917,524**	**1,368,070**	**(173,255)**	**604,335**	**(116,633)**	**29,400**	**27,108,986**
Changes from financing cash flow:									
Proceeds from loans and borrowings	**9,500,124**	**-**	**-**	**-**	**-**	**-**	**(79,327)**	**-**	**9,420,797**
Proceeds from issue of senior notes	**-**	**2,215,097**	**-**	**-**	**-**	**-**	**-**	**-**	**2,215,097**
Proceeds from issue of convertible bonds	**-**	**-**	**-**	**580,876**	**-**	**-**	**-**	**-**	**580,876**
Repayment of loans and borrowings	**(8,819,116)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,819,116)**
Repayment of senior notes	**-**	**(583,283)**	**-**	**-**	**-**	**-**	**-**	**-**	**(583,283)**
Repayment of PRC bonds	**-**	**-**	**(1,500,000)**	**-**	**-**	**-**	**-**	**-**	**(1,500,000)**
Interest paid	**-**		**-**	**(85,115)**	**-**	**(2,436,100)**	**-**	**-**	**(2,521,215)**
Increase in restricted deposits	**-**	**-**	**-**	**-**	**(1,001,628)**	**-**	**-**	**-**	**(1,001,628)**
Loans from related parties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**91,586**	**91,586**
Repayment of loans from related parties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(17,841)**	**(17,841)**

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities/(assets) arising from financing activities (Continued)

	Loans and borrowings	Senior Notes	Corporate bonds	Convertible bonds	Restricted deposits for guarantee for loans and borrowings	Interest payables	Deposits related to loans	Amounts due to related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (i)	*Note 23(a)/(b)*	*Note 23(c)*	*Note 23(d)*	*Note 20*	*Note (ii)*	*Note (iii)*		
Total changes from financing cash flow	681,008	1,631,814	(1,500,000)	495,761	(1,001,628)	(2,436,100)	(79,327)	73,745	(2,134,727)
Exchange adjustments	-	125,255	-	73,233	-	-	-	-	198,488
Changes in fair value	-	-	-	16,745	-	-	-	-	16,745
Other changes:									
Interest expenses *(Note 4(a))*	-	18,722	19,616	173,728	-	2,441,059	-	4,709	2,657,834
Acquisition of subsidiaries	1,195,655	-	-	-	-	-	-	-	1,195,655
Conversion of convertible bonds	-	-	-	(1,370)	-	-	-	-	(1,370)
Total other changes	1,195,655	18,722	19,616	172,358	-	2,441,059	-	4,709	3,852,119
At 31 December 2018	17,834,291	3,297,708	6,437,140	2,126,167	(1,174,883)	609,294	(195,960)	107,854	29,041,611

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Loans and borrowings *RMB'000* *Note (i)*	Senior Notes *RMB'000* *Note 23(a)/(b)*	Corporate bonds *RMB'000* *Note 23(c)*	Convertible bonds *RMB'000* *Note 23(d)*	Restricted deposits for guarantee for loans and borrowings *RMB'000* *Note 20*	Interest payables *RMB'000* *Note (ii)*	Deposits related to loans *RMB'000* *Note (iii)*	Amounts due to related parties *RMB'000*	Total *RMB'000*
At 1 January 2017	15,932,721	1,469,315	7,888,445	1,461,978	(1,511,293)	579,363	(86,808)	145,209	25,878,930
Changes from financing cash flow:									
Proceeds from loans and borrowings	8,206,373	–	–	–	–	–	(29,825)	–	8,176,548
Proceeds from issue of senior notes	–	1,542,576	–	–	–	–	–	–	1,542,576
Repayment of loans and borrowings	(8,181,466)	–	–	–	–	–	–	–	(8,181,466)
Repayment of senior notes	–	(1,425,128)	–	–	–	–	–	–	(1,425,128)
Interest paid	–	–	–	(87,594)	–	(2,246,852)	–	(89,866)	(2,424,312)
Decrease in restricted deposits	–	–	–	–	1,338,038	–	–	–	1,338,038
Loans from related parties	–	–	–	–	–	–	–	160	160
Repayment of loans from related parties	–	–	–	–	–	–	–	(28,214)	(28,214)
Total changes from financing cash flow	24,907	117,448	–	(87,594)	1,338,038	(2,246,852)	(29,825)	(117,920)	(1,001,798)

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Loans and borrowings *RMB'000* *Note (i)*	Senior Notes *RMB'000* *Note 23(a)/(b)*	Corporate bonds *RMB'000* *Note 23(c)*	Convertible bonds *RMB'000* *Note 23(d)*	Restricted deposits for guarantee for loans and borrowings *RMB'000* *Note 20*	Interest payables *RMB'000* *Note (ii)*	Deposits related to loans *RMB'000* *Note (iii)*	Amounts due to related parties *RMB'000*	Total *RMB'000*
Exchange adjustments	–	(88,076)	–	(96,802)	–	–	–	–	(184,878)
Changes in fair value	–	–	–	(84,589)	–	–	–	–	(84,589)
Other changes:									
Interest expenses *(Note 4(a))*	–	23,230	29,079	180,372	–	2,271,824	–	2,111	2,506,616
Conversion of convertible bonds	–	–	–	(5,295)	–	–	–	–	(5,295)
Total other changes	–	23,230	29,079	175,077	–	2,271,824	–	2,111	2,501,321
At 31 December 2017	15,957,628	1,521,917	7,917,524	1,368,070	(173,255)	604,335	(116,633)	29,400	27,108,986

Notes:

i As at 31 December 2018, loans and borrowing consists of long-term loans and borrowing at amortised cost amounting to RMB14,097,177,000 (2017: RMB14,825,397,000) and short-term loans and borrowing at amortised cost amounting to RMB3,737,114,000, (2017: RMB1,132,231,000) included in Note 23.

ii Interest payables were included in "Other payables" in "Trade and other payables" (Note 24).

iii Deposits related to loans were included in "Deposits and prepayments" in "Trade and other receivables" (Note 19).

22 TRADING SECURITIES

	2018 RMB'000	2017 RMB'000
Listed equity securities at FVPL *(Note 29(e)(i))*		
– in Hong Kong	**114,663**	136,594

23 LOANS AND BORROWINGS

	Note	2018 RMB'000	2017 RMB'000
Loans and borrowings at amortised cost			
– Long-term		**14,097,177**	14,825,397
– Short-term		**3,737,114**	1,132,231
– 2017 Senior Notes	(a)	**1,594,054**	1,521,917
– 2018 Senior Notes	(b)	**1,703,654**	–
– Corporate bonds	(c)	**6,437,140**	7,917,524
		27,569,139	25,397,069
Convertible bonds	(d)	**2,126,167**	1,368,070
		29,695,306	26,765,139

(a) 2017 Senior Notes

The Company issued senior notes of aggregate amount of USD235,000,000 on 20 September 2017 (the "2017 Senior Notes"), which are interest bearing at 8.5% per annum, due in September 2020 and listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2018, the 2017 Senior Notes were guaranteed by the Company's subsidiaries other than those organized under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2017 Senior Notes.

The 2017 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2018, none of the covenants relating to the 2017 Senior Notes were breached.

23 LOANS AND BORROWINGS (CONTINUED)

(b) 2018 Senior Notes

The Company issued senior notes of amount of USD165,000,000 on 6 February 2018 and USD170,000,000 on December 2018 (collectively referred to as the "2018 Senior Notes"), which are interest bearing at 8.5% per annum and 10.5% per annum, due in September 2020 and December 2021, respectively, listed on the Singapore Exchange Securities Trading Limited.

As at 31 December 2018, the 2018 Senior Notes were guaranteed by the Company's subsidiaries other than those organized under the laws of the PRC. The guarantees will be released upon the full and final payments of the 2018 Senior Notes.

The 2018 Senior Notes are subject to the fulfilment of certain covenants relating to limitations on indebtedness and certain transactions of the Group. The Group regularly monitors its compliance with these covenants. For the year ended 31 December 2018, none of the covenants relating to the 2018 Senior Notes were breached.

(c) Corporate bonds

In 2015 and 2016, Guangxi Vantone issued corporate bonds of RMB7,960,000,000 in total, which comprise following bonds

– 4-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.85% per annum and an effective interest rate at 8.09% per annum from 16 September 2015 to 15 March 2018; and with a coupon rate at 8.8% per annum and an effective interest rate at 9.3% per annum after 16 March 2018, issued on 16 September 2015 which was listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the 2.5 year;

– 5-year corporate bonds of RMB1,000,000,000 issued at par, with a coupon rate at 7.95% per annum and an effective interest rate at 8.11% per annum, issued on 16 September 2015 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;

– 3-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 7.99% per annum and an effective interest rate at 8.36% per annum, issued on 12 October 2015 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year (guaranteed by the Company). The corporate bonds were repaid during the year of 2018;

23 LOANS AND BORROWINGS (CONTINUED)

(c) Corporate bonds (Continued)

- 5-year corporate bonds of RMB1,460,000,000 issued at par, with a coupon rate at 6.9% per annum and an effective interest rate at 6.94% per annum, issued on 25 January 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year (guaranteed by the Company);

- 7-year corporate bonds of RMB1,500,000,000 issued at par, with a coupon rate at 8.4% per annum and an effective interest rate at 8.44% per annum, issued on 24 February 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the fourth year (guaranteed by the Company);

- 5-year corporate bonds of RMB560,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum, issued on 7 April 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year;

- 5-year corporate bonds of RMB440,000,000 issued at par, with a coupon rate at 7.5% per annum and an effective interest rate at 7.5% per annum, issued on 12 July 2016 which is listed in Shenzhen Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the third year; and

- 3-year corporate bonds of RMB500,000,000 issued at par, with a coupon rate at 7.4% per annum and an effective interest rate at 7.53% per annum from 13 July 2016 to 12 July 2018; and with a coupon rate at 8.4% per annum and an effective interest rate at 9.31% per annum from 13 July 2018 to 12 July 2019, issued on 13 July 2016 which is listed in Shanghai Stock Exchange with an option determine the interest rate for the issuer and a put option for the investors at the end of the second year.

23 LOANS AND BORROWINGS (CONTINUED)

(d) Convertible bonds

(i) On 28 July 2016, the Company issued convertible bonds due 2021, bearing interest at the rate of 6.5% per annum with an aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,332,300,000). Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 9 December 2016 until and including the day falling ten days prior to 11 August 2021 into fully paid ordinary shares with a par value of HKD0.01 each in the issued and paid up capital of the Company at an initial conversion price of HKD3.69 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalization of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 112.15% of the principle amount. The Company has an early redemption option at any time after 11 August 2019 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible noted on 11 August 2019 at early redemption amount of 106.67% of the principle amount. The interest is payable semi-annually. The convertible bonds are listed on the Singapore Exchange Securities Trading Limited.

As the convertible bonds do not contain an equity component, the derivative component of the USD200,000,000 convertible bonds is measured at fair value and the liability component is carried at amortised cost. As at 31 December 2018, the carrying amounts of liability and derivative component of the convertible bonds were RMB1,079,393,000 (2017:RMB956,393,000) and RMB452,807,000 (2017:RMB411,677,000), respectively.

During the year ended 31 December 2018, HKD200,000 of the convertible bonds were converted into 423,852 shares of the Company.

23 LOANS AND BORROWINGS (CONTINUED)

(d) Convertible bonds (Continued)

(ii) On 17 September 2018, the Company issued convertible bonds due 2023, bearing interest at the rate of 4.8% per annum with an aggregate principal amount of HKD750,000,000(equivalent to approximately RMB580,876,000). Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 1 January 2019 until and including the day falling ten days prior to 3 October 2023 into fully paid ordinary shares with a par value of HKD0.01 each in the issued and paid up capital of the Company at an initial conversion price of HKD4.50 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalization of profits or reserve, distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on the maturity date at 100% of the principle amount. The Company has an early redemption option at any time after 3 October 2021 (subject to certain criteria). The holders also have an early redemption option to require the Company to redeem all or some of convertible noted on 3 October 2021 at early redemption amount of 100.00% of the principle amount. The interest is payable semi-annually. The convertible bonds are listed on The Stock Exchange of Singapore Limited.

As the convertible bonds do not contain an equity component, the derivative component of the convertible bonds above is measured at fair value and the liability component is carried at amortised cost. As at 31 December 2018, the carrying amounts of liability and derivative component of the convertible bonds above were RMB490,888,000 and RMB103,079,000, respectively.

23 LOANS AND BORROWINGS (CONTINUED)

(d) Convertible bonds (Continued)

	Derivative component *RMB'000*	Liabilities Component *RMB'000*	Total *RMB'000*
At 1 January 2017	527,894	934,084	1,461,978
Fair value adjustment credited into profit or loss	(84,589)	–	(84,589)
Accrued interest	–	180,372	180,372
Interest paid	–	(87,594)	(87,594)
Foreign exchange gain	(31,628)	(65,174)	(96,802)
Conversion of convertible bonds	–	(5,295)	(5,295)
At 31 December 2017	411,677	956,393	1,368,070
At 1 January 2018	**411,677**	**956,393**	**1,368,070**
Issuance	**106,640**	**474,236**	**580,876**
Fair value adjustment debited into profit or loss	**16,745**	**–**	**16,745**
Accrued interest	**–**	**173,728**	**173,728**
Interest paid	**–**	**(85,115)**	**(85,115)**
Foreign exchange loss	**20,824**	**52,409**	**73,233**
Conversion of convertible bonds	**–**	**(1,370)**	**(1,370)**
At 31 December 2018	**555,886**	**1,570,281**	**2,126,167**

23 LOANS AND BORROWINGS (CONTINUED)

(e) The Group's long-term loans and borrowings comprise:

	2018 **RMB'000**	2017 RMB'000
Loans and borrowings at amortised cost:		
– Bank loans – secured	**3,679,700**	3,346,497
– Loans from other financial institutions – secured	**10,416,057**	11,258,900
– Loans from third parties – unsecured	**1,420**	220,000
– 2017 Senior Notes	**1,594,054**	1,521,917
– 2018 Senior Notes	**1,703,654**	–
– Corporate bonds	**6,437,140**	7,917,524
	23,832,025	24,264,838
Convertible bonds	**2,126,167**	1,368,070
	25,958,192	25,632,908
Less: Current portion of long-term loans and borrowings:		
– Bank loans	**1,602,700**	1,458,899
– Loans from other financial institutions	**3,583,890**	4,518,347
– Loans from third parties	**–**	220,000
– Corporate bonds	**1,496,103**	1,493,857
Sub-total	**6,682,693**	7,691,103
	19,275,499	17,941,805

23 LOANS AND BORROWINGS (CONTINUED)

(f) The Group's short-term loans and borrowings comprise:

	Note	2018 RMB'000	2017 RMB'000
Loans and borrowings at amortised cost:			
Bank loans – secured		**1,169,899**	143,000
Bank loans – unsecured		**–**	20,000
Loans from other financial institutions			
– secured		**2,070,397**	453,414
Loans from related parties			
– unsecured	(j)	**2,818**	20,817
Loans from third parties			
– secured		**181,000**	180,000
– unsecured		**313,000**	315,000
Sub-total		**3,737,114**	1,132,231
Current portion of long-term loans and borrowings		**6,682,693**	7,691,103
		10,419,807	8,823,334

(i) The balance as at 31 December 2018 represented loans amounting to RMB2,818,000 (2017: RMB20,817,000) borrowed from an associate, Chongqing Yuneng Wanyi, bearing an interest rate at 10% per annum and was matured on 15 December 2014.

23 LOANS AND BORROWINGS (CONTINUED)

(g) The Group's effective interest rates per annum on loans and borrowings at amortised cost are as follows:

	2018	2017
Long-term		
Bank loans	**4.75%–12.50%**	4.75%–11.25%
Loans from other financial institutions	**6.63%–18.00%**	6.5%–13.00%
Loans from third parties	**8.08%–13.00%**	13.00%
Senior Notes	**9.03%–12.39%**	8.50%–12.75%
Corporate bonds	**6.94%–9.31%**	6.94%–8.44%
Convertible bonds	**8.59%–10.57%**	8.59%
Short-term		
Bank loans	**4.56%–7.83%**	2.00%–8.68%
Loans from other financial institutions	**7.00%–12.00%**	8.00%–9.00%
Loans from related parties	**10.00%**	10.00%–12.00%
Loans from third parties	**9.00%–13.50%**	7.20%–13.50%

(h) The Group's loans and borrowings are repayable as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within 1 year or on demand	**10,419,807**	8,823,334
After 1 year but within 2 years	**10,382,138**	6,083,927
After 2 years but within 5 years	**8,503,361**	9,787,714
After 5 years	**390,000**	2,070,164
	19,275,499	17,941,805
	29,695,306	26,765,139

23 LOANS AND BORROWINGS (CONTINUED)

(h) The Group's loans and borrowings are repayable as follows: (Continued)

(i) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain loans and borrowings granted to the Group at the end of the reporting period:

(i)	*Note*	**2018** **RMB'000**	2017 RMB'000
Property and equipment	9(b)	**450,715**	493,096
Investment properties	10(c)	**5,814,777**	4,738,533
Properties under development and completed properties held for sale	15(d)	**7,688,171**	8,741,272
Restricted deposits	20	**1,174,883**	173,255
		15,128,546	14,146,156

(ii) As at 31 December 2018, loans and borrowings amounted to RMB4,265,417,000 (2017:RMB4,136,759,000), were secured by a charge over the shares of the Company and certain subsidiaries of the Group.

(j) The Group has defaulted in the repayment of loans and borrowings as follows:

	Note	**2018** **RMB'000**	2017 RMB'000
Loans from related parties	(a)		
– Principal payables		**2,818**	20,817
– Interest payables		**15,771**	11,063
		18,589	31,880
Loans from Tianjin Nongken Hongyi investment Co., Ltd.	(b)		
– Principal payables		**1,060,397**	–
– Interest payables		**52,672**	–
		1,113,069	–
		1,131,658	31,880

23 LOANS AND BORROWINGS (CONTINUED)

(j) The Group has defaulted in the repayment of loans and borrowings as follows: (Continued)

(a) The loan from a related party ("Chongqing Yuneng Wanyi") was not duly settled as the Group is in the process of negotiating certain transactions with the related party. It will be settled together with those transactions.

(b) The loans from Tianjin Nongken Hongyi investment Co., Ltd. ("Tianjin Nongken") were not duly settled as the Group is in the process of negotiating certain arrangement with Tianjin Nongken and the loans are expected to be settled in April 2019.

24 TRADE AND OTHER PAYABLES

	Note	31 December 2018 RMB'000	1 January 2018 *Note(i)* RMB'000	31 December 2017 *Note(i)* RMB'000
Trade payables	(a)	**4,320,475**	**3,875,485**	3,875,485
Advances received from third parties	(b)	**473,589**	**490,162**	490,162
Consideration payables		**157,000**	**6,000**	6,000
Amounts due to related parties	(c)	**111,956**	**32,676**	32,676
Other payables	(d)	**1,350,791**	**1,138,660**	1,138,660
Financial liabilities measured at amortised cost		**6,413,811**	**5,542,983**	5,542,983
Other taxes payable *(Note(ii))*		**1,263,022**	**815,208**	73,198
		7,676,833	**6,358,191**	5,616,181
Less: non-current portion of trade payables		**469,535**	**316,914**	316,914
		7,207,298	**6,041,277**	5,299,267

Note:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Comparative information has not been restated.

(ii) Upon the initial application of IFRS 15, the Group has reclassified value added taxes payable related to proceeds received from pre-sale of property unites, which was included in "Sales deposits", to "Other taxes payable".

24 TRADE AND OTHER PAYABLES (CONTINUED)

(a) As of the end of reporting period, the ageing analysis of trade payables (which are included in trade and other payables) based on invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**3,959,015**	3,558,571
1 to 2 years	**223,679**	153,557
Over 2 years but within 5 years	**137,781**	163,357
	4,320,475	3,875,485

(b) Advances received from third parties

The balances as at 31 December 2018 and 2017 mainly represented advances received from third parties. These advances are interest-free, unsecured and have no fixed terms of repayment.

(c) Amounts due to related parties

	2018	2017
	RMB'000	*RMB'000*
Amounts due to		
– Entities under control of Mrs. Fan	**849**	1,248
– Associates	**111,107**	31,428
	111,956	32,676

The balance as at 31 December 2018 and 2017 were interest free, unsecured and had no fixed terms of repayment.

(d) Other payables mainly represented interest payables, deposits received from constructors and salary payables.

25 SALES DEPOSITS

Sales deposits represented proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

Upon the adoption of IFRS 15, these amounts of sales deposits were reclassified to "Contract liabilities" (Note 18) (see Note 1(c)(ii)).

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company:

	Share capital *Note 26(c)* *RMB'000*	Share premium *Note 26(d)(i)* *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balances at 1 January 2017	18,718	2,821,330	3,399,004	6,239,052
Changes in equity for 2017:				
Total comprehensive income for the year	–	–	607,796	607,796
Issuance of shares	1,968	592,747	–	594,715
Conversion of convertible bonds	14	5,281	–	5,295
Balance at 31 December 2017 and 1 January 2018	20,700	3,419,358	4,006,800	7,446,858
Impact on initial application of IFRS 15 *(Note 1(c))*	–	–	164,665	164,665
Adjusted balance at 1 January 2018	**20,700**	**3,419,358**	**4,171,465**	**7,611,523**
Changes in equity for 2018:				
Total comprehensive income for the year	**–**	**–**	**(138,051)**	**(138,051)**
Conversion of convertible bonds	**4**	**1,366**	**–**	**1,370**
Balance at 31 December 2018	**20,704**	**3,420,724**	**4,033,414**	**7,474,842**

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

The Company did not declare any dividends for the years ended 31 December 2018 and 2017.

(c) Share capital

	2018 No of shares	2018 HKD'000	2017 No of shares	2017 HKD'000
Authorised:				
Ordinary shares	**4,000,000,000**	**40,000**	3,000,000,000	30,000

	Note	2018 No of shares	2018 RMB'000	2017 No of shares	2017 RMB'000
Ordinary shares, issued and fully paid:					
At 1 January		**2,611,736,625**	**20,700**	2,375,000,000	18,718
Issuance of shares	(i)	**–**	**–**	235,055,000	1,968
Conversion of convertible bonds		**423,852**	**4**	1,681,625	14
At 31 December		**2,612,160,477**	**20,704**	2,611,736,625	20,700

(i) Issuance of shares

During the year ended 31 December 2017, the Company issued 235,055,000 ordinary shares at HKD3.10 per share, and received a net proceed of HKD716,670,500 (equivalent to approximately RMB594,715,000).

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(z).

(iii) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilized in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(iv) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for investment properties transferred from property and equipment in Note 1(i).

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate properties, and continue to provide returns for equity shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged during the year, as defined by the Group, being the total of loans and borrowings divided by the total assets. As at 31 December 2018, the gearing ratio of the Group was 48.32% (2017: 47.98%).

27 EMPLOYEE BENEFIT PLAN

The Group participates in a defined contribution retirement scheme established by the relevant local government authorities for its staff. The Group was required to make contributions to the retirement scheme at 12% to 20% of the gross salaries of its staff.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

28 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Investment commitments

Commitments in respect of equity investments outstanding at 31 December 2018 not provided for in the financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Contracted for	–	827,700

(b) Capital commitments

As at 31 December 2018 and 2017, the Group has the following commitments in respect of properties under development and investment properties under construction not provided for in the financial statements:

	2018 RMB'000	2017 RMB'000
Contracted for	**4,686,190**	4,302,681
Approved but not contracted for	**10,012,736**	5,973,329
	14,698,926	10,276,010

(c) Operating lease commitments

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**23,199**	24,068
After 1 year but within 5 years	**65,758**	47,073
After 5 years	**33,040**	–
	121,997	71,141

28 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(d) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within two years after the property units are delivered to the buyers. The total amounts of mortgages outstanding which are guaranteed by the Group, were RMB7,266,593,000 as at 31 December 2018 (2017: RMB6,562,867,000).

(e) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties of term between one to five years against certain defects as stipulated in the relevant PRC laws and regulations, and these warranties are covered by back-to-back warranties provided by the relevant contractors of the projects.

(f) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse impact on the financial position, liquidity, or operating results of the Group.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and loans provided to non-controlling interests in subsidiaries, related parties and third parties. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 28(d), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 28(d).

Trade receivables and bill receivables

The ageing analysis of trade receivables and bill receivables that are neither individually nor collectively considered to be impaired are as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Neither past due nor impaired	**77,331**	155,002
1 to 6 months past due	**24,240**	62,459
6 months to 1 year past due	**104,098**	14,914
More than 1 year past due	**746,933**	698,207
	875,271	775,580
	952,602	930,582

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

Receivables that were neither past due nor impaired related to customers and debtors for whom there was no recent history of default.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 61.0% (2017: 62.4%) of the total trade receivables was due from the Group's largest customer.

Receivables that were past due but not impaired included revenue from land development for sale of RMB581,089,000 as at 31 December 2018 and 31 December 2017 from the Government of Chenghua District. Based on a series of agreements entered into by the Group and the Government of Chenghua District, the Group is entitled to receive RMB581,089,000 and the government issued a notice to confirm this amount on 2 July 2013. Considering the long ageing of the receivables, in February 2015, the Group sued and asked for the repayment of RMB581,089,000 as well as a management fee of RMB15,000,000. The first trial went to court on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to further negotiate so as to reach a settlement. The court has accepted and approved an application for withdrawal of the trial by the Group on 26 July 2018. As of the date of this report, the Group is still negotiating with the Government of Chenghua District.

As at 31 December 2018 and 2017, the directors of the Group were of the opinion that no provision on the receivables of RMB581,089,000 due from the Government of Chenghua District was required, as the Group has consulted its legal adviser and understood that if the parties could not reach an agreement on the settlement agreement, the Group may reinstate the trial and there is no indication that the Government of Chenghua District will not, or will have financial difficulties to fulfil its obligation to settle the balance.

Accordingly, management believes that no loss allowance is necessary in respect of the above balances and the balances are still considered fully recoverable.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

The remaining receivables that were past due but not impaired mainly represented receivables in relation to sale of properties from a number of independent customers that have a good relationship with the Group. The Group holds the title of the property units as collateral over the balance of trade receivables of RMB178,424,000 (2017: RMB194,491,000). The Group generally would not release the property ownership certificates to the buyers before the buyers finally settle the selling price and management considers that the credit risk arising from these trade receivables is significantly mitigated by related property units held as collateral, with reference to the estimated market value of those property units.

For trade receivables without collateral, which primarily represent receivable for rental income and project management, the Group measure loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. At 31 December 2018 and 2017, the Group's exposure to credit risk and ECLs for these trade receivables are insignificant.

Guarantees provided by the Group

As disclosed in Note 28(d), for properties that are pre-sold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the repossessed properties. Therefore, management considers that it would likely recover any loss incurred arising from such guarantee provided by the Group. Management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts.

Loans provided to associates and non-controlling interests of subsidiaries

For receivables due from associates and non-controlling interests of subsidiaries, the Group considers that the credit risk arising from these receivables is significantly mitigated by related property development projects held by these associates and subsidiaries, with reference to the estimated market value of those property development projects.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Loans provided to third parties

For loans provided to third parties, whose loss allowance is measured on an individual basis, management assesses whether there is a significant increase in credit risk arising from default of the counter party based on borrowers' and guarantors' specific information primarily their past due status and their liquidities from other sources available without undue cost.

The following table provides information about the Group's exposure to credit risk and ECLs for loans provided to third parties as at 31 December 2018.

	Note	**Gross carrying Amount** *RMB'000*	**Loss allowance** *RMB'000*
Current (not past due)			
– 12-month ECLs		2,426,437	–
– Life-time ECLs	(i)	686,851	(455,964)
Total		3,113,288	(455,964)
Within 1 year past due			
– Life-time ECLs	(i)	603,030	(396,508)
1 year to 2 years past due			
– Life-time ECLs	(i)	215,490	(50,000)
Balance as at 31 December 2018		3,931,808	(902,472)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Credit risk arising from loans provided to third parties (Continued)

Note (i): During the year ended 31 December 2018, the credit risks of certain loans provided to a number of companies indirectly owned by the Individual or guaranteed by the Individual, with an outstanding balance totalled RMB1,002 million as at 31 December 2018, increased significantly since their initial recognition, and, therefore, a loss allowance based on lifetime ECLs totalled RMB852 million has been recognised against these balances. Management's assessment resulting such significant increase in the credit risks of the above balances is after taking into account of the adverse report of an investigation involving the Individual in the People's Republic of PRC, the loss of contact with the Individual, the consequential uncertainty over the Group's ability to enforce the guarantees provided by the Individual, and the viability of realising the estimated value of other collaterals held by the Group against these outstanding loans balance.

As at 31 December 2018, within the gross balance of the loans provided to third parties guaranteed by the Individual of RMB852 million, for which a loss allowance of RMB852 million has been recognised on the whole balances as disclosed in Note 29(a)(i) above, a total balance of approximately RMB521 million was originated during the year ended 31 December 2018. As at 31 December 2018, no loss allowance was recognised on a gross balance of loan provided to a third party indirectly controlled by the Individual of RMB150 million and certain loans provided to other third parties of RMB403 million measured at lifetime ECLs, primarily after taking into account the land and properties and shares of companies with property development projects in the PRC obtained by the Group as collaterals, with estimated values as determined by management with reference to the market prices of comparable land and properties in the relevant locations and the estimated values exceeded the gross balances of these loan balances totalled RMB553 million.

Movement in the loss allowance in respect of loans provided to third parties during the year is as following:

	RMB'000
Balance at 31 December 2017 under IAS 39	–
Impact on initial application of IFRS 9	–
Balance at 1 January 2018	–
Impairment losses recognised during the year	902,472
Balance at 31 December 2018	902,472

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 1(l)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has further business with the Group and the Group does not expect to incur a significant loss for uncollected loans to these parties.

(b) Liquidity risk

Historically, the Group relied to a great extent on proceeds received from pre-sale of property units (sold in advance of the completion of the real estate projects) to fund its development and construction of real estate projects. As there is no assurance that proceeds received from future pre-sales of the Group's current real estate projects will be sufficient to meet the Group's needs, the Group's operating plan requires it to raise additional funds to finance the development and construction of its current real estate projects. If the Group is unable to raise additional equity or debt financing, the Group's expansion plans and operations might need to be curtailed.

Sunshine 100 Group is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of each reporting periods of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting periods) and the earliest date the Group can be required to pay:

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount at 31 December *RMB'000*
Balances at 31 December 2018						
Loans and borrowings						
– Long-term	8,895,494	12,037,908	9,599,724	414,570	30,947,696	25,958,192
– Short-term	4,102,922	–	–	–	4,102,922	3,737,114
Contract retention payables	173,482	100,998	69,168	–	343,648	343,648
Financial liabilities measured at amortised cost	6,052,351	223,679	137,781	–	6,413,811	6,413,811
	19,224,249	12,362,585	9,806,673	414,570	41,808,077	36,452,765
Balances at 31 December 2017						
Loans and borrowings						
– Long-term	9,872,878	7,520,284	11,408,939	2,164,454	30,966,555	25,632,908
– Short-term	1,229,415	–	–	–	1,229,415	1,132,231
Contract retention payables	232,874	88,217	46,098	19,898	387,087	387,087
Financial liabilities measured at amortised cost	5,226,069	153,557	163,357	–	5,542,983	5,542,983
	16,561,236	7,762,058	11,618,394	2,184,352	38,126,040	32,695,209

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The interest rates of the Group's loans and borrowings are disclosed in Note 23(g). The annual interest rates of the Group's deposits at bank ranged from 0.1% to 2.75% as at 31 December 2018 (2017: 0.1% to 2.75%).

The interest rate profile of the Group's interest-bearing financial instruments was:

	2018 **RMB'000**	2017 RMB'000
Fixed rate instruments		
Loans and borrowings at amortised cost	**25,881,019**	23,599,535
Convertible bonds–liability component	**1,570,281**	956,393
	27,451,300	24,555,928
Variable rate instruments		
Loans and borrowings at amortised cost	**1,688,120**	1,797,534

As at 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates for loans and borrowings, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB2,033,400 (2017: RMB2,250,000), and would increase/decrease the Group's properties under development and completed properties held for sale, investment properties, property and equipment and land development for sale, by approximately RMB14,170,000 (2017: RMB14,975,000).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2017.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through The People's Bank of China ("PBOC") or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on cash and cash equivalents denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results.

Included in trade and other receivables, cash and cash equivalents, restricted deposits and loans and borrowings in the consolidated statement of financial position as at 31 December 2018 and 2017, the amounts denominated in currencies other than the functional currency of the entities to which they relate were as follows:

	Exposure to foreign currencies			
	2018 *USD* *RMB'000*	**2018 *HKD* *RMB'000***	2017 *USD* *RMB'000*	2017 *HKD* *RMB'000*
Trade and other receivables	**32,498**	**219,050**	207,788	221,516
Cash and cash equivalents	**106,959**	**44,659**	1,763	595,053
Restricted deposits	**1,141,282**	**–**	–	–
Trading Securities	**–**	**114,663**	–	136,594
Loans and borrowings	**(4,829,908)**	**(593,966)**	(2,889,987)	–
Net exposure arising from recognised assets and liabilities	**(3,549,169)**	**(215,594)**	(2,680,436)	953,163

5% increase or decrease in USD and HKD exchange rate against RMB, assuming such change had occurred as at 31 December 2018, would decrease/increase the Group's profit after tax and retained profits by approximately RMB141,179,000 (2017: RMB64,772,000).

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

(i) Financial assets and liabilities measured at fair value

Fair valued hierarchy

The following table presents the fair value of financial instruments measured at the balance sheet dates on a recurring loan, categorized into the three level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The Group has a team headed by the finance manager who is responsible for engaging external valuers to perform valuations for convertible bonds at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2018	**Fair value measurements as at 31 December 2018 categorised into**			Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	**Level 2**	**Level 3**		Level 1	Level 2	Level 3
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements								
Assets:								
Trading securities	**114,663**	**114,663**	**-**	**-**	136,594	136,594	–	–
Liabilities:								
Derivative component of convertible bonds *(Note 23 (d))*	**555,886**	**-**	**-**	**555,886**	411,677	–	–	411,677

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements.

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Derivative component of convertible bonds issued in 2016	Binomial Tree model	Expected volatility	37.00% – 38.00% (2017: 30.88% – 31.88%)	37.50% (2017: 31.38%)
Derivative component of convertible bonds issued in 2018	Binomial Tree model	Expected volatility	15.00%-16.00%	15.50%

The fair value of derivative component of convertible bonds is determined by Binomial Tree model and the significant unobservable input used in fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2018, for the USD200,000,000 convertible bond,it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have decreased/increased the Group's profit by RMB1,867,000/RMB13,172,000 (2017: RMB3,031,321/RMB5,745,078,000), and for the HKD750,000,000 convertible bond, it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have decreased/increased the Group's profit by RMB1,288,000/RMB1,266,000.

The movements during the period in the balance of these Level 3 fair value measurements are as followings:

	2018 **RMB'000**	2017 *RMB'000*
Derivative component of convertible bonds		
At 1 January	**411,677**	527,894
Additions	**106,640**	–
Fair value adjustment charged to/(credited into) profit or loss	**16,745**	(84,589)
Foreign exchange loss/(gain)	**20,824**	(31,628)
At 31 December	**555,886**	411,677

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 December 2018 and 2017.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	Note	**2018** **RMB'000**	2017 *RMB'000*
Loans provided to			
– Associates	19(c)	**562,566**	52,603
– Entities under control of Mrs. Fan	(i)	**117,500**	–
– Members of key management personnel	(ii)	**20,559**	–
Repayment of loans from			
– Associates		**17,090**	160
– Entities under control of Mrs. Fan		**751**	28,054
Loans received from			
– An associate		**91,234**	–
Interest income received from			
– Associates		**17,657**	–
Interest repaid to			
– An associate		**–**	89,866

Notes:

(i) The balance amounting to RMB117,500,000 as at 31 December 2018 (2017:RMB Nil) represented loans provided to the entities under control of Mrs. Fan, bearing an interest rate at 12% per annum and will be matured on 12 December 2019.

(ii) The balance amounting to RMB20,559,000 as at 31 December 2018 (2017:RMB Nil) represented amounts provided to a key management personnel of the Group, Mr. Chen Meng, which were interest-free, unsecured and had no fixed terms of repayment.

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 6, and certain of the highest paid employees as disclosed in Note 7, is as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Salaries, wages and other benefits	**14,169**	15,236
Contributions to defined contribution retirement plan	**305**	276
	14,474	15,512

Total remuneration is included in "Staff costs" (see Note 4(b)).

(c) The Listing Rules relating to connected transactions

The related party transactions in respect of loans provided to associates and entities under control of Mrs. Fan above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

31 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgments used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

31 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(a) Land appreciation taxes

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

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. However, the Group has not finalized its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(n), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices and the costs of completion in case for properties under development.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting periods. Any increase or decrease in the provision would affect profit or loss in future periods.

31 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(c) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future periods.

(d) Impairment for property and equipment

If circumstances indicate that the net book value of a property or equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amount to the recoverable amount in accordance with the accounting policy for impairment of property and equipment as described in Note 1(l)(iii). The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

31 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(e) Valuation of investment properties

As described in Note 10(a), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation which involves, inter alia, certain estimates including capitalization rates, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates. In relying on the valuation report, the management has exercised their judgment and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the respective end of each reporting periods.

(f) Expected credit losses of loans provided to third parties

As explained in Note 1(l)(i), the Group estimates ECLs for loans provided to third parties. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions, forecasts of future economic conditions and viability of realising the estimated value of collaterals held by the group. If the financial condition of the debtors were to deteriorate, or the actual value of collaterals held by the Group were lower than the estimated value, actual write-offs would be higher than estimated.

31 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(g) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management have reviewed the investment property portfolios of the Group and concluded that investment properties held by the Group 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 deferred taxation on investment properties of the Group, the management have determined that the "sales" presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties at the applicable corporate income tax rates.

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2018** **RMB'000**	2017 RMB'000
Non-current assets			
Investments in subsidiaries	11	**6,833,581**	6,046,029
Property and equipment		**342**	328
		6,833,923	6,046,357
Current assets			
Other receivables		**1,540,510**	947,320
Amounts due from subsidiaries		**3,227,679**	2,697,458
Restricted deposit		**1,141,282**	–
Cash and cash equivalents		**151,642**	596,932
Trading securities		**114,663**	136,594
		6,175,776	4,378,304
Current liabilities			
Loans and borrowings		**–**	53,413
Other payables		**82,778**	34,403
		82,778	87,816

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	2018 RMB'000	2017 RMB'000
Net current assets		**6,092,998**	4,290,488
Total assets less current liabilities		**12,926,921**	10,336,845
Non-current liabilities			
Loans and borrowings		**5,452,079**	2,889,987
NET ASSETS		**7,474,842**	7,446,858
CAPITAL AND RESERVES	26(a)		
Share capital		**20,704**	20,700
Reserves		**7,454,138**	7,426,158
TOTAL EQUITY		**7,474,842**	7,446,858

Approved and authorised for issue by the board of directors on 28 March 2019.

YI Xiaodi	**FAN Xiaochong**
Directors	*Directors*

33. ACQUISITION OF SHAANXI JINYUAN

The Group acquired 100% of the equity interests and voting interests in Shaanxi Jinyuan during the year ended 31 December 2018. As a result, the Group obtained control of Shaanxi Jinyuan and Shaanxi Jinyuan became and was accounted for as a subsidiary of the Group from 19 July 2018. The following table summarised the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	RMB'000
Property and equipment	438
Properties under development and completed properties held for sale	1,875,198
Trade and other receivables	44,165
Cash and cash equivalents	363
Trade and other payables	(734,806)
Loans and borrowings	(779,455)
Deferred tax liabilities	(58,588)
Total identifiable net assets acquired	347,315
Cash acquired during the year	363
Cash paid during the year	(100,000)
Net cash outflow including in the consolidated cash flow statements	(99,637)

Shaanxi Jinyuan is a project company which develops Shaanxi Napa Xigu – Jinyuan Project. Taking control of Shaanxi Jinyuan will enable the Group to have exposure to this market through local expertise.

For the period from 19 July 2018 to 31 December 2018, Shaanxi Jinyuan did not recognise any revenue and incurred a loss of RMB13,089,000 to the Group's results for the year ended 31 December 2018. If the acquisition had occurred on 1 January 2018, management estimates that Shaanxi Jinyuan would have contributed a revenue of RMB14,950,000 and incurred a loss of RMB21,036,000 to the Group. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2018.

33. ACQUISITION OF SHAANXI JINYUAN (CONTINUED)

(i) Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	**Valuation technique**
Property under development and completed properties held for sale	*Market comparison technique:* The fair value is determined based on the estimated selling price in the ordinary course of business sale less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

(ii) Gain on bargain purchase

Gain on bargain purchase has been recognised from the acquisition of Shaanxi Jinyuan as presented follows:

	RMB'000
Consideration transferred	100,000
Fair value of identifiable net assets	(347,315)
Gain on bargain purchase	(247,315)

34 PARENT AND ULTIMATE HOLDING COMPANY

As at 31 December 2018, the directors considered that the parent company of the Company is Joywise, a company with limited liability incorporated in the BVI on 8 January 2007. The ultimate holding company is Harvest Well Holding Limited, a company with limited liability incorporated in the BVI on 9 March 2007. These entities do not produce financial statements available for public use.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for Accounting periods beginning on or after
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs2015–2017 Cycle	1 January 2019
Amendments to IAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group does not anticipate that the application of these amendments, new standards and interpretations will have significant impact on the Group's consolidated financial statements. Further details of the expected impacts are discussed below.

Under IFRS 16, a lessee is required to recognise at its inception a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss and other comprehensive income. Management has initially assessed that the adoption of IFRS 16 would affect the leases of properties as a lessee currently classified as operating leases, which would result in an increase in both assets and liabilities and would impact on the timing of recognition in the statement of profit or loss and other comprehensive income over the period of the leases. As the Group's future minimum lease payments under non-cancellable operating leases are limited, therefore, the Group does not expect that the expected changes in accounting policies according to IFRS 16 as described above could have a material impact on the Group's financial results from 2019 onwards.

36 SUBSEQUENT EVENT

In connection with a loan with principal of RMB120 million included in the loans provide to third parties, subsequent to the reporting date, the Group filed a lawsuit on 31 January 2019 before the No.3 Intermediate People's Court of Beijing Municipality against a guarantor to recover the principal together with accrued interest plus penalty. This court case has not been heard by the court.