合景泰富集團
KWG GROUP HOLDINGS

KWG GROUP HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability Stock Code: 1813

ANNUAL REPORT 2018

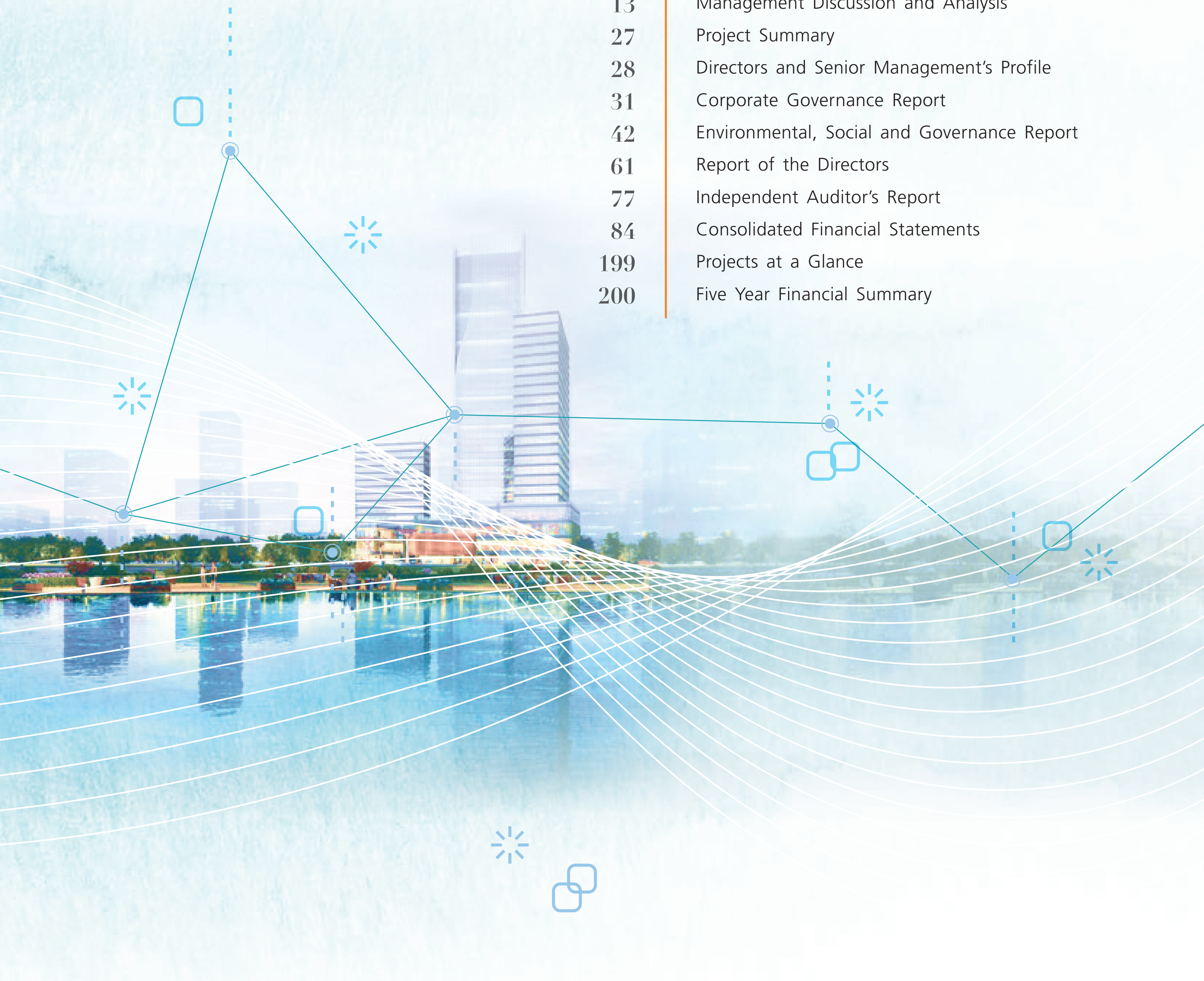
Build home with heart

以心築家

Create future with aspiration

創建未來

Contents



Corporate Information

Directors

Executive Directors

Mr. Kong Jianmin *(Chairman)*
Mr. Kong Jiantao
(Chief Executive Officer)
Mr. Kong Jiannan
Mr. Tsui Kam Tim
Mr. Cai Fengjia
(appointed on 3 September 2018)
Mr. Li Jianming
(resigned on 3 September 2018)

Independent Non-executive Directors

Mr. Lee Ka Sze, Carmelo, JP
Mr. Tam Chun Fai
Mr. Li Binhai

Company Secretary

Mr. Tsui Kam Tim

Authorised Representatives

Mr. Kong Jianmin
Mr. Tsui Kam Tim

Audit Committee

Mr. Tam Chun Fai *(Chairman)*
Mr. Lee Ka Sze, Carmelo, JP
Mr. Li Binhai

Remuneration Committee

Mr. Tam Chun Fai *(Chairman)*
Mr. Kong Jianmin
Mr. Li Binhai

Nomination Committee

Mr. Kong Jianmin *(Chairman)*
Mr. Tam Chun Fai
Mr. Li Binhai

Registered Office

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

Principal Place of Business in Hong Kong

Units 8503–05A, Level 85
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Principal Share Registrar and Transfer Agent

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

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor
Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
China Construction Bank
Corporation
Industrial and Commercial Bank
of China Limited
The Bank of East Asia, Limited
Standard Chartered Bank (China)
Limited
Standard Chartered Bank
(Hong Kong) Limited
Shanghai Pudong Development
Bank Co., Ltd.
China Minsheng Banking Corp. Ltd.
Hang Seng Bank (China) Limited
Hang Seng Bank Limited

Auditor

Ernst & Young

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

Website

www.kwggroupholdings.com

Stock Code

1813 (Main Board of The Stock
Exchange of Hong Kong Limited)

Corporate Profile

Founded in 1995, KWG Group Holdings Limited ("KWG" or the "Company", together with its subsidiaries, collectively the "Group") is now one of the leading large-scale property developers in Guangzhou. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1813) in July 2007. Since its establishment, KWG Group has been focusing on the development, sales, operation and management of high quality properties.

Over the past 24 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, serviced apartments, villas, offices, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou, Shenzhen, Foshan, as its hub for South China, Shanghai, Hangzhou, Suzhou, Hefei for East China, Chengdu, Chongqing for Southwest China, Beijing, Tianjin for North China, Wuhan for Central China and the Group's footprint has been expanded to Hong Kong since 2017.

The Group's current land bank is sufficient for development in the coming 3–5 years.

The Group will focus on the development of residential properties and commercial properties while seeking to deploy more resources for the establishment of a diversified property development in the future. In order to keep the profit portfolio steady, spread the investment risks and ensure stable development, the Group will strengthen the residential properties as the main force by implementing a fast growth strategy since 2017, while maintaining the proportion of commercial properties, such as offices, hotels and shopping malls, to be held in long term as investment properties.

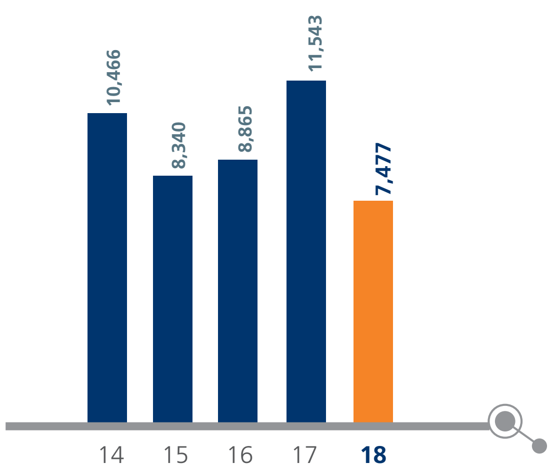
- U Fun in Chongqing

Management Structure of the Group

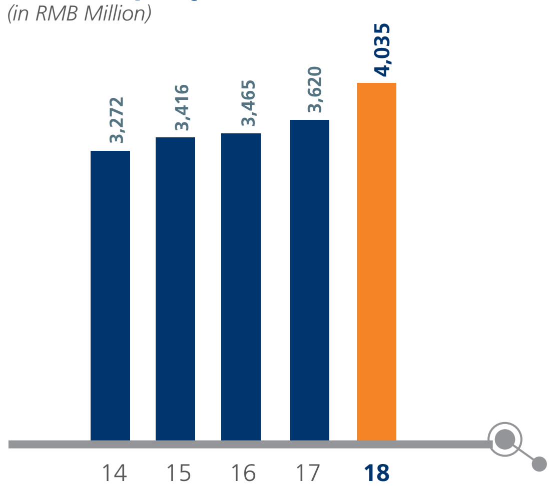
- emphasis on a cohesive team and collaboration
- clearly-defined division of staff and duties
- nurturing talents and providing internal promotion

Financial Highlights

Revenue
(in RMB Million)



Profit Attributable to Owners of the Company
(in RMB Million)



	Year Ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
CONSOLIDATED RESULTS					
Revenue	**7,477,471**	11,543,072	8,865,329	8,339,756	10,465,788
Profit attributable to owners of the Company	**4,035,415**	3,620,071	3,464,714	3,416,248	3,272,225
Earnings per share attributable to owners of the Company (RMB cents)					
– Basic	**128**	117	115	115	112
– Diluted	**127**	117	115	115	112
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	**184,537,161**	134,945,038	110,741,810	79,681,417	71,547,015
Total liabilities	**152,765,152**	106,699,345	86,732,898	57,322,501	51,110,599

Honours and Awards

Some of the awards received by the Group are set out below:

Year	Award	Project/Branch	Institution
2018	2018 Most Anticipated Commercial Complex in Chengdu	Chengdu U Fun	China Commercial Real Estate & Retail
2018	2018 Top 50 PRC Property Development Enterprises	The Group	China Real Estate Association
2018	2018 Top 10 PRC Property Development Enterprises by Comprehensive Strength	The Group	China Real Estate Association
2018	2018 China's 100 Best Real Estate Enterprises	The Group	Guandian.cn
2018	2018 China's 30 Best Listed Real Estate Enterprises (Real Estate G30)	The Group	Guandian.cn
2018	2018 Top 50 Listed PRC Real Estate Enterprises	The Group	YIHAN
2018	2018 Top 50 Listed PRC Property Companies by Comprehensive Strength	The Group	China Real Estate Association
2018	2018 Top 10 PRC Property Companies Listed in Hong Kong by Comprehensive Strength	The Group	China Index Academy
2018	2018 Noteworthy Property Companies in the Capital Markets	The Group	China Index Academy
2018	2018 China Property Enterprise Award	The Group	Organising Committee of China Property Enterprise Award of Supreme Excellence
2018	2018 Top 100 PRC Property Service Enterprises — Top 19	Ningjun Property	Enterprise Research Institute of the Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy
2018	2018 Leading Specialty Property Service Enterprises in China	Ningjun Property	Enterprise Research Institute of the Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy
2018	2018 Top 100 PRC Property Service Enterprises in Service Quality	Ningjun Property	Enterprise Research Institute of the Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy
2018	2018 Benchmark for Property Service Industry in China	Ningjun Property	Enterprise Research Institute of the Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy

Year	Award	Project/Branch	Institution
2018	2018 Five-star Property Service Community in China	Ningjun Property	Enterprise Research Institute of the Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy
2018	2018 Top 100 PRC Real Estate Enterprises by Brand Value	The Group	China Real Estate Newspaper Group
2018	2018 Top 50 PRC Property Development Enterprises by Brand Value	The Group	China Real Estate Association
2018	2018 Top 10 PRC Real Estate Enterprises with Leading Brand Value in Comprehensive Development — City's Comprehensive Operation	The Group	China Index Academy
2018	Top 10 Most Popular Commercial Complex in Suzhou	Suzhou U Fun	Jinji Lake Commercial Summit
2018	2018 Brand Innovation Award for Long-term Apartment in China	KWG RISCASA	Guandian.cn
2018	2018 Top 30 PRC Listed Property Enterprises with Green Credit	Brand Division	Investment Advisory Committee under The Investment Association of China, Green Ranking
2018	2018 Apartment for the Year by Brand Value	KWG RISCASA	China Real Estate Billboard
2018	2017 New Year's Eve — Top 10 Outstanding Commercial Landscape in Shanghai	Shanghai U Fun	Shanghai Municipal Commission of Commerce — Shanghai Consumption General Mobilization

• Fortunes Season in Guangzhou

> "Our meticulous attention to details and pursuance of exquisite quality allow customers to have higher expectation. While optimizing the value of land, we endeavour to provide customers with an extraordinary lifestyle."

Chairman's Statement

Dear Shareholders:

I am pleased to present the business review of the Group for the 12 months ended 31 December 2018. The Group achieved pre-sales of approximately RMB65.5 billion, representing an increase of 72% compared to the same period of 2017. Areas of properties under pre-sales was approximately 3.97 million sq.m. and the average selling price per sq.m. was approximately RMB16,500.

- U Fun in Suzhou

1. Strong Sales Growth Contributing to Accomplishment of Full-year Target

Despite the complex and volatile macro-environment, increasing industry competition and further consolidation in the industry, the Group had set a sales target calling for growth of above 70% at the beginning of 2018, and eventually, the Group successfully beat full-year sales target of RMB65 billion with the concerted effort of our staff, thanks to the Group's positioning in Greater-Bay-Area and Yangtze-River-Delta Area, development strategy of penetration in tier-one and tier-two cities implemented over the years, and our staff co-investment scheme which provided strong motivation for the management and employees.

The Group's gross pre-sales amounted to RMB65.5 billion for 2018, representing a remarkable year-on-year increase of 72%.

2. Abundant Sellable Resources Supporting Ongoing Rapid Sales Growth and Progressing in both Scale and Profitability

2018 marked the first year of a period of strong sales growth for the Group. Based on existing land bank, scheduled new start of construction and launch plan, the Group expects the gross sellable resources for 2019 to amount to approximately RMB150 billion. Analyzed by the ranking of cities, tier-one and tier-two cities will account for approximately 90% of sellable resources value. Analyzed by region, Greater-Bay-Area and Yangtze-River-Delta Area will contribute 72% of sellable resources value. The Group's abundant sellable resources will support ongoing rapid sales growth. Based on the Group's current sellable resources, construction plans and market condition, the Group's pre-sales target for 2019 is set at RMB85 billion, representing a 30% growth compared to 2018 actual pre-sales.

Given its significant growth in scale, the Group was able to sustain a higher-than-average profit margin to progress in both scale and profitability owing to the good reputation of its quality premium products, stringent project screening based on profit margin benchmarks during the stage of land acquisition and standardized cost control regimes during the stage of construction. For the reporting period, the Group reported core profit margin of 16.9%, sustaining a relatively high level of profitability in the industry.

3. Penetration in Greater-Bay-Area and Yangtze-River-Delta Area and Focusing on Tier-one and Tier-two Cities

During the reporting period, the Group further penetrated in Greater-Bay-Area and Yangtze-River-Delta Area with a strong focus on development in tier-one and tier-two cities.

On the one hand, the Group continued to search for premium land resources in tier-one and tier-two cities where projects had already been developed, acquiring new projects at lower costs in tier-one and tier-two cities such as in Beijing, Shenzhen, Guangzhou, Suzhou and Chongqing to replenish its core land reserve and enhance its anti-risk capability.

On the other hand, in respect of satellite cities within the metropolitan areas of tier-one cities where the Group had already established presence, the Group continued to replenish new projects in cities with better sales and more attractive land costs, such as Xuzhou, Nantong, Jiaxing and Taizhou etc, leveraging the operation and management teams that had already been formed.

Elsewhere, the Group also debuted in satellite cities within the metropolitan areas of tier-one cities, such as Huizhou, Dongguan, Jiangmen and Ningbo, etc. These cities will benefit immensely from demands spilling out from tier-one cities driven by population inflow, upgrades in industry mix and the construction of transportation and infrastructure.

At present, the Group is operating 136 projects in 36 cities across China. In Greater-Bay-Area, the Group has established presence in 8 cities and 1 region, comprising mainly Guangzhou, Shenzhen, Foshan and Hong Kong. In Yangtze-River-Delta Area, the Group has established business in 16 cities, comprising mainly Shanghai, Hangzhou, Suzhou, Jiaxing, Xuzhou, Taizhou and Nantong. In the meantime, concerted developments are underway in the North China region represented mainly by Beijing and Tianjin, as well as other regions such as Chengdu, Chongqing, Wuhan and Nanning. The Group's strategic framework has basically been formed up.

4. Mergers, Acquisitions and Joint Development Became Primary Way for Land Acquisitions while Opportunities for Urban-redevelopment are Proactively Explored

Liquidity supply in 2018 was tight in general, resulting in some small-scale property developers facing difficulties in financing, giving rise to massive opportunities for mergers and acquisitions in favour of large and medium size property developers, and resulting in further industry consolidation. In comparison to the traditional way of tender, auction and listing, mergers, acquisitions and joint development can effectively lower the cost of new land acquisitions.

During the reporting period, the Group acquired 38 projects through tenders, auctions and listings in the public market as well as mergers, acquisitions and joint development, adding attributable gross floor area ("GFA") of approximately 4.14 million sq.m. at an average cost of RMB5,400 per sq.m., amongst which approximately 80% was obtained through mergers, acquisitions and joint development.

In the meanwhile, the Group proactively explored urban-redevelopment opportunities, aiming to acquire premium land resources in tier-one and top tier-two cities at lower costs.

5. Properties for Recurring Income

The Group's properties for recurring income reported stellar performance in 2018.

In terms of shopping malls, the Group welcomed grand openings of four shopping malls, namely, Suzhou U Fun, Chengdu U Fun, Beijing M • Cube and Guangzhou The Summit U Fun during the reporting period. Suzhou U Fun is located within the complex of Suzhou Apex, with linkage to Courtyard and well-developed residential units and apartments. Chengdu U Fun is located within the complex of Chengdu Cosmos in Financial City, adjacent to W Hotel. Beijing M • Cube is a benchmark shopping mall of KWG commanding tremendous effort built upon Chongwenmen Subway Station inside the Second Ring of Beijing. Guangzhou The Summit U Fun is located within the 2.5 million sq.m. mega community complex of The Summit in Zengcheng District, featuring an entertainment park. All newly opened shopping malls have reported occupancy rates of above 90%. As at the end of the reporting period, the Group had six shopping malls in operation in Shanghai, Guangzhou, Suzhou, Chengdu and Beijing, successfully establishing "U Fun" and "M • Cube" as the Group's brands for shopping malls.

In connection with hotels, two new hotels commenced operation during the reporting period: Suzhou Courtyard and Suzhou CRH North Station The Mulian. Suzhou Courtyard is jointly operated by Marriot Group, located within the complex of Suzhou Apex to complement U Fun Shopping Center. Suzhou CRH North Station The Mulian is run by the Group's boutique hotel brand "The Mulian", and is located within Suzhou Wan Hui Plaza complex next to Suzhou CRH North Station in a neighborhood of well-developed facilities. Since tapping the hotel business in 2009, the Group has entered into cooperation with international hotel groups such as Marriot, Hyatt and Hilton. After gaining experience in hotel operation, the Group has started its self-owned brand "The Mulian". Currently, the Group owns four hotels under international brands and five The Mulian Hotels under its proprietary brand. In the future, the Group will promote its proprietary brand "The Mulian" through asset-light expansion, making ongoing efforts to drive internationalization in image, specialisation in management and standardization in services, targeting to develop the brand into a city signature with a high-end reputation.

Regarding offices, Guangxi International Finance Place commenced operations during the reporting period. Located in the headquarters' base in Wuxiang New District, the project is intended to be developed into a pole office project of international standards, with plans to solicit tenants among the Global 500 and leading international banks in the future. At present, the Group owns ten offices in operation situated at core areas in tier-one and top tier-two cities, for example, Guangzhou, Shanghai, Chengdu, Nanning and etc.

As for long-term rental apartments, the Group newly opened long-term rental apartments in Guangzhou, Foshan, Beijing, Shanghai, Nanjing and Suzhou during the reporting period.

With the Group's commercial property teams being more and more experienced, and its commercial properties in core cities having been completed and in operation over the past few years, the Group's operations in properties for recurring income have entered into harvest season, and recurring income will blossom in the next two years.

6. Outlook

In 2018, the policy and regulation on the real estate sector has continuously differentiated for different cities. The effect of regulation has been telling in key cities. The Central Government will continue to uphold the principle of "housing properties for accommodation, not speculative trading" and step up with initiatives to develop multi-agent supply, multi-channel support and a purchase-lease mechanism, so that all citizens will secure proper

• Glory Palace in Shanghai

housing. Under this primary context, the Group anticipates stable development for real estate market in general in 2019.

The Group is convinced that tier-two and tier-three cities surrounding tier-one cities will continue to benefit from population inflow, industrial support and government policies. In 2019, the Group will continue to penetrate in Greater-Bay-Area and Yangtze-River-Delta Area, with plans to launch a number of brand new projects in Beijing, Hangzhou, Suzhou, Jiaxing, Guangzhou, Foshan, Jiangmen, Nanning and Chongqing etc.

Following the grand opening of four new shopping malls in 2018, Guangzhou The Horizon U Fun and Foshan Oriental Bund U Fun are also scheduled to open in 2019. The Group's boutique hotel brand "The Mulian" will seek asset-light expansion, while more office buildings will commence operation during the year. Meanwhile, new long-term rental apartment projects will also be launched in Shanghai, Hangzhou and Shenzhen etc. Properties for recurring income have entered into harvest season. New launches of commercial properties will fuel the growth of recurring income, and will embrace rapid growth in the future.

Looking into the future, the Group will continue to deepen and strengthen cooperation with sectors in which it had established footholds, such as education, culture and tourism and industrial park, through the advancement of various strategic cooperation projects. Such efforts are expected to nurture synergy effects for the rapid co-development of various segments alongside the property segment.

7. Appreciation

On behalf of the Group and the Board, I would like to express uttermost gratitude to all shareholders, investors, business partners and customers who have been offering tremendous support and assistance to us all along. Thanks are also owed to each and every director, member of management and staff, whose brilliant minds and incessant dedication have been instrumental to the growth and expansion of KWG Group. Going forward in unity, we will continue to build homes with our hearts and create an evermore prosperous future for our customers, our Group and our shareholders!

Kong Jianmin
Chairman

18 April 2019

• KWG Center in Beijing

Management Discussion and Analysis

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered and (iv) property management fee income. The revenue is primarily generated from its four business segments: property development, property investment, hotel operation and property management.

The revenue amounted to approximately RMB7,477.5 million in 2018, representing a significant decrease of 35.2% from approximately RMB11,543.1 million in 2017.

In 2018, the revenue generated from property development, property investment, hotel operation and property management were approximately RMB6,064.2 million, RMB379.3 million, RMB468.2 million and RMB565.8 million, respectively.

Proportionate revenue amounted to approximately RMB22,594.4 million in 2018, representing an increase of 9.2% from approximately RMB20,684.9 million in 2017. In 2018, the Group disposed 100% equity interest of a subsidiary, a project company of an office building located in Guangzhou called the Star I, at total consideration of approximately RMB3,046.3 million. Such transaction was an ordinary course of business and was considered as sales of properties in substance by the management. Therefore the calculation of proportionate revenue and cost of sales had taken into account the effect of such transaction. The net gain of disposal of a subsidiary was included in "Other income and gain, net" in the consolidated statement of profit or loss.

Property development

Revenue generated from property development significantly decreased by 41.9% to approximately RMB6,064.2 million in 2018 from approximately RMB10,432.1 million in 2017, primarily due to a decrease in GFA delivered to 400,602 sq.m. in 2018 from 705,390 sq.m. in 2017.

Despite the decrease in GFA delivered, the Group maintained a high recognised average selling price ("ASP") at RMB15,137 per sq.m., as compared to RMB14,789 per sq.m. in 2017, reflecting a better product mix as well as an upgrade on city mix.

- The Core of Center in Beijing

Proportionate revenue generated from property development increased by 8.2% to approximately RMB21,181.1 million in 2018 from approximately RMB19,573.9 million in 2017.

Property investment

Revenue generated from property investment significantly increased by 64.1% to approximately RMB379.3 million in 2018 from approximately RMB231.2 million in 2017, primarily due to an increased leaseable GFA from leased investment properties.

Hotel operation

Revenue generated from hotel operation increased by 10.3% to approximately RMB468.2 million in 2018 from approximately RMB424.5 million in 2017, primarily due to an increase in occupancy rate of the hotels.

Property management

Revenue generated from property management increased by 24.2% to approximately RMB565.8 million in 2018 from approximately RMB455.3 million in 2017, primarily due to an increase in the number of properties under management.

Cost of Sales

Cost of sales of the Group primarily represents the costs incurred directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, cost of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

Cost of sales significantly decreased by 33.2% to approximately RMB5,026.2 million in 2018 from approximately RMB7,523.1 million in 2017, mainly due to the decrease in total GFA delivered in sales of properties.

Land cost per sq.m. slightly increased from RMB3,617 in 2017 to RMB3,750 in 2018.

Construction cost per sq.m. increased from RMB4,329 in 2017 to RMB5,829 in 2018, due to the change in delivery portfolio with different city mix compared with that in 2018.

Proportionate core cost of sales increased by 11.3% to approximately RMB14,574.8 million in 2018 from approximately RMB13,090.3 million in 2017, primarily due to the increase of total proportionate GFA delivered in sales of properties.

• U Fun in Chengdu

Gross Profit

Gross profit of the Group significantly decreased by 39.0% to approximately RMB2,451.3 million in 2018 from approximately RMB4,019.9 million in 2017. The decrease of gross profit was principally due to the decrease in the total revenue in 2018. The Group reported gross profit margin of 32.8% for 2018 as compared with 34.8% for 2017.

Proportionate core gross profit of the Group increased by 5.6% to approximately RMB8,019.5 million in 2018 from approximately RMB7,594.6 million in 2017. The Group reported proportionate core gross profit margin of 35.5% in 2018 (2017: 36.7%).

Other Income and Gains, Net

Other income and gains significantly increased by 327.1% to approximately RMB2,703.4 million in 2018 from approximately RMB632.9 million in 2017, mainly comprising gain on disposal of a subsidiary, foreign exchange gain and interest income of approximately RMB1,167.4 million, RMB683.7 million and RMB482.3 million respectively.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 23.0% to approximately RMB532.1 million in 2018 from approximately RMB432.5 million in 2017, mainly due to an increase in advertising expenses in conjunction with launching of 18 new grand projects during 2018.

Administrative Expenses

Administrative expenses of the Group increased by 40.2% to approximately RMB1,313.8 million in 2018 from approximately RMB936.8 million in 2017, primarily attributable to increased headcounts to catch up with the rapid development of the Group in various regional offices in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB1.7 million in 2018 (2017: approximately RMB501.8 million).

- The Cosmos in Chongqing

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB1,714.7 million for 2018 (2017: approximately RMB1,204.9 million), mainly related to various leaseable commercial properties in various regions. The fair value gains attributable to those leaseable commercial properties, including KWG Centre II in Beijing, The Star in Guangzhou and KWG Centre I in Beijing, were approximately RMB1,280.9 million for 2018. Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

Finance Costs

Finance costs of the Group being approximately RMB1,070.1 million in 2018 (2017: approximately RMB329.5 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

Income Tax Expenses

Income tax expenses decreased by 36.6% to approximately RMB1,236.4 million in 2018 from approximately RMB1,950.0 million in 2017, primarily due to a decrease in provision of LAT as a result of the decrease in the total GFA delivered from sales of properties in 2018.

Profit for the Year

The Group reported profit for the year of approximately RMB4,154.8 million in 2018 (2017: approximately RMB3,605.0 million). Proportionate net profit margin was 18.4% (2017: 17.4%).

- M • Cube in Beijing

- Majestic Mansion in Hangzhou

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2018, the carrying amounts of the Group's cash and bank balances were approximately RMB56,677.0 million (31 December 2017: approximately RMB40,467.3 million).

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2018, the carrying amount of the restricted cash was approximately RMB4,099.3 million (31 December 2017: approximately RMB1,268.4 million).

Borrowings and Charges on the Group's Assets

As at 31 December 2018, the Group's bank and other loans, senior notes, domestic corporate bonds and finance lease payable were approximately RMB29,783.0 million, RMB20,501.7 million, RMB27,179.0 million and RMB318.5 million respectively. Amongst the bank and other loans, approximately RMB5,202.3 million will be repayable within 1 year, approximately RMB17,793.7 million will be repayable between 2 and 5 years and approximately RMB6,787.0 million will be repayable over 5 years. Amongst the senior notes, approximately RMB4,067.0 million will be repayable within 1 year, approximately RMB13,836.3 million will be repayable between 2 and 5 years and approximately RMB2,598.4 million will be repayable over 5 years. Amongst the domestic corporate bonds, approximately RMB8,030.5 million will be repayable within 1 year and approximately RMB19,148.5 million will be repayable between 2 and 5 years. Amongst the finance lease payable, approximately RMB64.1 million will be repayable within 1 year and approximately RMB254.4 million will be repayable between 2 and 5 years.

As at 31 December 2018, the Group's bank and other loans of approximately RMB27,683.0 million were secured by buildings, land use rights, investment properties, properties under development, completed properties held for sale and time deposit of the Group with total carrying value of approximately RMB28,778.5 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. As at 31 December 2018, the Group's finance lease payable of approximately RMB318.5 million were secured by an aircraft of the Group with carrying value of approximately RMB474.3 million.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately RMB5,538.8 million as at 31 December 2018 which were denominated in Hong Kong dollar of approximately RMB3,737.5 million and denominated in U.S. dollar of approximately RMB1,801.3 million respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of approximately RMB4,045.6 million which were charged at fixed interest rates as at 31 December 2018. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2018. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2018. The Group's finance lease payable were denominated in RMB and charged at fixed interest rate as at 31 December 2018.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2018, the gearing ratio was 66.4% (31 December 2017: 67.9%).

Risk of Exchange Rate Fluctuation

The Group mainly operates in Mainland China, so most of its revenues and expenses are measured in RMB. In addition, except for the above mentioned, the Company's domestic corporate bonds were denominated in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2018, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar increased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

(i) As at 31 December 2018, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB8,117.1 million (31 December 2017: approximately RMB5,036.1 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2018 and 2017 for the guarantees.

(ii) As at 31 December 2018 and 2017, the Group had provided guarantees in respect of certain bank loans for joint ventures and associates.

Employees and Emolument Policies

As at 31 December 2018, the Group employed a total of approximately 8,500 employees. The total staff costs incurred was approximately RMB1,160.5 million during the financial year ended 31 December 2018. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

Market Review

Following the implementation of stringent regulation in 2017, the nationwide property market as a whole was trending relatively stable in general in 2018 with the introduction of differentiated regulatory policies for different cities. According to data released by the National Bureau of Statistics, for 2018, nationwide investments in property development amounted to RMB12,026.4 billion, representing a year-on-year growth of 9.5%. The areas of land acquired by property developers amounted to 291.42 million sq.m., representing a year-on-year increase of 14.2%. Accrued land premium paid amounted to RMB1,610.2 billion, representing a year-on-year increase of 18.0%.

With the rigorous implementation of the price cap policy, property prices are expected to trend stably. For 2018, sales volume and sales amount for commodity properties amounted to 1,716.54 million sq.m. and RMB14,997.3 billion, respectively, representing a year-on-year increase of 1.3% and 12.2%, respectively.

In 2018, downside pressure of macro-environment and rising frictions associated with the Chinese and U.S. trade war resulted in unclear global economic outlook and volatile international exchange rates. Hence, macro-environment became weak. Meanwhile, property development companies continued to be subject to a relatively tightened financing environment. Under such circumstances, the real estate industry became a main pillar supporting GDP growth. Regulatory policies for real estate market were generally stable in the second half of 2018, although easing was noted in selected cities, such as the narrowing premium in mortgage interest rates, easing of purchase restrictions and the policy concerning "Hukou" citizenship registration for talents, lifting of price caps for purchase registration to prevent dual contracts and easing of the policy relating to the purchase of apartments, all of which constituting favourable factors for the real estate market as a whole. Under the primary principle of maintaining a long-term effective mechanism for healthy development, policies relating to property development are expected to remain stable in 2019, and buyers' sentiments are expected to improve over the previously prevailing holding back to "wait and see" stance.

Business Review

During the reporting period, the Group's pre-sales amounted to RMB65.5 billion in aggregate, representing a year-on-year increase of 72%, with an ASP of approximately RMB16,500 per sq.m, which was largely level with that for the same period of 2017. Analyzed by contributions to pre-sales amount, amongst the 80 projects currently for sale, 30% were from Greater-Bay-Area, while 45% were from Yangtze-River-Delta Area.

During the reporting period, the Group launched a total of 30 brand new projects, including Chongqing The Cosmos, Xuzhou Fragrant Season, Taizhou Top of World Residence I, Suzhou The Moon Mansion, Guangzhou Nansha River Paradise and Beijing The Core of Center, etc. In particular, the Group reported stellar performances in Chongqing, Xuzhou and Taizhou, cities where the Group newly entered in 2017.

During the reporting period, the Group continued to prioritise quality and persist in its focus on consumers' requirements, consolidating strengths underpinned by the diversity of its business with full efforts to deliver one-stop services covering clothing, food, accommodation, transportation, education and healthcare, in fulfillment of its pledge to build homes and serve customers with heart. The Group's achievements were well-recognised in the industry, and it received a number of awards for brand influence, residential sales and product quality during the past year, such as "Top 50 PRC Property Development Enterprises 2018", "Noteworthy Property Companies in the Capital Markets 2018", "Top 100 PRC Property Service Enterprises in Service Quality 2018", "Most Anticipated Property Developments in Taizhou 2018", "Most Anticipated Commercial Complex in Chengdu 2018" and others.

During the reporting period, the Group continued to further explore opportunities in Greater-Bay-Area and Yangtze-River-Delta Area with a strong focus on tier-one and tier-two cities. The Group acquired premium land sites through tenders, auctions and listings in the public market, while also actively participating in mergers and acquisitions to obtain land at more favourable costs. Mergers and acquisitions have become the primary means through which the Group acquires new land reserve. During the reporting period, the Group acquired 38 projects to adding attributable GFA by 4.14 million sq.m. at an average cost of RMB5,400 per sq.m. The Group successfully acquired projects with vast potential in Beijing, Shenzhen and Huizhou etc.. Approximately 80% of new land acquisitions were through mergers and acquisitions and joint development.

As at 31 December 2018, the Group owned 136 projects in 36 cities across Mainland China and Hong Kong with an attributable land bank with GFA of approximately 16.58 million sq.m.

Staff co-investment programmes have been extensively implemented in more than 40 new projects, providing a significant boost to staff motivation and commitment that has accelerated project turnover. The establishment and comprehensive implementation of a standardised management system with uniform standards has facilitated centralised procurement and effectively reduced unit cost to expedite completion of every stage in operation of projects.

Properties for Recurring Income

(1) Shopping mall

During the reporting period, the Group celebrated the grand opening of shopping malls in Beijing, Suzhou, Chengdu and Guangzhou under its brands "M•Cube" and "U Fun". Suzhou U Fun and Chengdu U Fun, which had been opened since the first half of the year, reported occupancy rates of above 90% with a thriving business atmosphere as branded tenants continued to settle in operation. In the second half of the year, Beijing M•Cube and Guangzhou The Summit U Fun newly opened, further complementing the Group's nationwide deployment of investment properties.

Built upon Chongwenmen Subway Station inside the Second Ring of Beijing, Beijing M•Cube is a benchmark shopping mall of KWG commanding tremendous effort. Designed by MVRDV, a world-renowned Dutch design firm, Beijing M•Cube Shopping Mall has a novel modernistic appearance resembling an elusive crystal magic cube. The project is positioned as a fashionable shopping hub offering trendy exquisite goods, popular international brands, coldplays, innovative dining under one roof, making it as the first landmark of all-around fashion in the Chongwenmen commercial zone. Beijing M•Cube has a lease rate of 100%. Its grand opening attracted a large crowd and more than 50,000 people visited on the first day. Its two leading tenants registered record nationwide sales, as NIKE KICKS LOUNGE reported the largest single-store one-day sales nationwide for the day, while AAPE claimed top spot for single-store one-day sales nationwide.

Situated at a prime location in the economic and technological development zone in Zengcheng District in eastern part of Guangzhou, Guangzhou The Summit U Fun is located at a 2.5 million sq.m. large community complex with star-rated hotels, offices, retail shops, residential buildings and apartments of The Summit. The open-air shopping mall is designed to provide an entertainment park where families in the neighborhood can spend some quality time after work, while the working class from the nearby offices can relax and cherish moments of childlikeness. The lead designer for the overall design of the shopping mall is AGC Design from Hong Kong, who has blended the FUN idea with unique architectural aesthetics to form natural green space. The sky screen above the atrium, the submerged stairs of the plaza and the rooftop amusement park complement each other in the creation of a large theme park for children, such that shopping needs and family leisure are both attended to.

With the successive opening of Suzhou U Fun, Chengdu U Fun, Beijing M•Cube and Guangzhou The Summit U Fun, 2018 marked a year of grand opening and thriving development of the Group's shopping malls, and the nationwide presence of KWG's commercial properties are coming into full shape. Looking to 2019, the Group will welcome the opening of further shopping malls, including Guangzhou Nansha U Fun and Foshan Oriental Bund U Fun. Currently, six shopping malls are in operation, and two more will be scheduled to be opened in 2019, offering steady increase in rental income, and the Group will embrace a period of rapid growth in rental income in the next two years.

(2) Hotel

During the reporting period, two new hotels commenced operation, namely Suzhou Courtyard and Suzhou CRH North Station The Mulian. Suzhou Courtyard is jointly operated by Marriot Group, located within the complex of Suzhou Apex to complement U Fun Shopping Center. Suzhou CRH North Station The Mulian is run by the Group's boutique hotel brand "The Mulian", and is located within Suzhou Wan Hui Plaza complex next to Suzhou CRH North Station in a neighborhood of well-developed facilities.

As at 31 December 2018, the Group had nine hotels in operation, including hotels run by international leading brands, such as Guangzhou W Hotel, Guangzhou Conrad (a JV project), Guangzhou Dongpu Four Points by Sheraton and Suzhou Courtyard, as well as boutique hotel brand "The Mulian" in Pearl River New Town and Huadu District of Guangzhou, Hangzhou, Chengdu and Suzhou.

Through previous efforts in cooperation with international hotel groups, such as Marriot, Hyatt and Hilton etc., the Group had gained increasing experience in hotel operations, and it opened the first The Mulian Hotel, its boutique hotel brand in 2014. Currently, located in either city centers or central business districts, The Mulian Hotels in operation are intended primarily as business hotels. The Mulian Hotel Group, positioned to cater to a diverse range of positions, such as business travelers, light-luxury consumers and young people, with the offering of different types of The Mulian Hotels under different sub-brands to meet the needs of different cities, areas and markets, will underline one of the future focuses of the Group. In 2019, the Group will operate and promote its boutique brand of The Mulian Hotel through an asset-light expansion model, with plans to open hotels in cities such as Shenzhen, Wuhan and Xi'an that would provide vigor to fuel the growth of the boutique The Mulian Hotel. In future, the Group expects

The Mulian Hotel brand to grow into a franchise chain with a brand export model in a significant enhancement of brand value and market influence.

(3) Office

At present, offices owned by the Group in core districts in tier-one and top tier-two cities, such as Guangzhou, Shanghai, Chengdu, Nanning and etc., have commenced operation, and will provide stable cash flow for the Group in the form of rental income. Offices in Guangzhou that have commenced operation include International Finance Place and International Metropolitan Plaza in Pearl River New Town and International Commerce Place in Pazhou. Offices in Shanghai that have commenced operation include International Metropolitan Plaza in Pudong Bund and Amazing Bay in Xinjiangwan. Offices in Chengdu and Nanning that have commenced operation include Chengdu Cosmos International Center and Guangxi International Finance Place. All of the offices mentioned above enjoy comprehensive transportation access with subway stations nearby and high occupancy rates, being local or district landmarks built according to international quality standards.

(4) Long-term Rental Apartments

Responding to Central Government's initiation for the operation of long-term rental apartments and relevant policies in support, the Group has adopted a combination of asset-light and asset-heavy approaches in rolling out its deployment of long-term rental apartments with the design of three major brands, namely, "譽舍 PRIMCASA", "昕舍 RISCASA" and "陸舍 NOVUSCASA", targeting high-end business elites, middle-end massive market and new talents, respectively. 2018 marked the beginning of KWG Group's operation of long-term rental apartments. During the reporting period, the Group commenced pilot operations in Guangzhou, Foshan, Beijing, Shanghai, Nanjing and Suzhou.

Outlook

In 2019, the Central Government will continue to uphold the principle of "housing properties for accommodation, not for speculative trading" and the primary tone of regulation over the property market will remain unchanged. The government will continue to step up with measures to develop multi-agent supply, multi-channel support and a purchase-lease mechanism, in an effort to facilitate and improve the long-term mechanism for stable and healthy development of the real estate market.

With the basic completion of the Group's deployment in Greater-Bay-Area and Yangtze-River-Delta Area, two key areas for its business development, the Group will continue to penetrate Greater-Bay-Area and Yangtze-River-Delta Area in future for further development, and will focus on tier-one and tier-two cities. In 2019, the Group expects to launch more new projects, including the Beijing Niulanshan Project, Suzhou Taihu New Town Project, Nanjing Yuhuatai Project, Taizhou Star Mansion, Guangzhou Tianhe Project, Guangzhou Baiyun Project, Foshan Longjiang Project, Shenzhen Yantian Project, Hong Kong Kai Tak Project, Nanning Impression Discovery Bay and Chongqing The Moon Mansion, etc. The Group's sellable resources for 2019 will amount to RMB150 billion, and sales target at RMB85 billion. Analyzed by regions, Greater-Bay-Area will contribute 37%, while Yangtze-River-Delta Area will contribute 35%, regarding sellable resources value. Analyzed by the ranking of cities, tier-one and tier-two cities will comprise approximately 90% of sellable resources value. All management and staff of the Group are committed to accomplishing the full-year sales target in a concerted effort.

The Group's geographic deployment penetrating Greater-Bay-Area and Yangtze-River-Delta Area, strategy of focusing on tier-one and tier-two cities, premium land reserves, abundant sellable resources, well-recognized quality brands and products, experienced operation teams and improving management systems, fast growth in recurring income driven by the opening of commercial properties, as well as synergy effects between the diverse segments and the property segment will combine to facilitate quality, rapid growth for KWG Group in the future, such that progression will be made both in scale and profitability!

Overview of the Group's Property Development

As at 31 December 2018, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan, Hefei, Wuhan, Xuzhou, Jiaxing, Taizhou, Jinan, Changshu, Lishui, Chongqing, Taicang, Wuxi, Zhaoqing, Zhongshan, Nantong, Liuzhou, Shenzhen, Huizhou, Jiangmen, Wenzhou, Dongguan, Yangzhou, Ningbo, Meishan, Chenzhou and Hong Kong.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
1	The Summit	Guangzhou	Residential / villa / serviced apartment / office / commercial	1,554	100
2	International Metropolitan Plaza	Guangzhou	Office / commercial	40	50
3	Tian Hui Plaza (including The Riviera and Top Plaza)	Guangzhou	Service apartment / office / commercial / hotel	45	33.3
4	The Star	Guangzhou	Office / commercial	84	100
5	Top of World	Guangzhou	Villa / serviced apartment / office / commercial / hotel	412	100
6	The Eden	Guangzhou	Residential / commercial	3	50
7	Zengcheng Gua Lv Lake	Guangzhou	Villa / hotel	43	100
8	Essence of City	Guangzhou	Residential / villa / commercial	245	100
9	International Commerce Place	Guangzhou	Office / commercial	50	50
10	CFC (including Mayfair and International Finance East)	Guangzhou	Service apartment / office / commercial	85	33.3
11	The Horizon	Guangzhou	Residential / villa / serviced apartment / office / commercial / hotel	19	50
12	Fortunes Season	Guangzhou	Residential / villa / commercial	216	50
13	Nansha River Paradise	Guangzhou	Residential / commercial	63	40
14	Guangzhou Tianhe Project	Guangzhou	Residential	16	40
15	V-city	Guangzhou	Serviced apartment / commercial	182	70
16	Guangzhou Baiyun Project	Guangzhou	Residential / villa	26	30
17	E-city	Guangzhou	Serviced apartment / commercial	506	67
18	IFP	Guangzhou	Office / commercial	61	100
19	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
20	The Mulian Huadu	Guangzhou	Hotel	25	100
21	W Hotel/W Serviced Apartments	Guangzhou	Hotel / service apartment	80	100
22	The Mulian Guangzhou	Guangzhou	Hotel	8	100
23	The Sapphire	Suzhou	Residential / serviced apartment / office / commercial / hotel	45	100
24	Suzhou Apex	Suzhou	Residential / serviced apartment / commercial / hotel	115	100
25	Suzhou Emerald	Suzhou	Residential / commercial	3	100
26	Leader Plaza	Suzhou	Service apartment / office / commercial	36	100
27	Wan Hui Plaza	Suzhou	Service apartment / office / commercial / hotel	33	100
28	Suzhou Jade Garden	Suzhou	Residential / commercial	4	100
29	Enjoy The Exquisite Life	Suzhou	Residential	60	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
30	Orient Aesthetics (formerly known as Suzhou Beiqiao Project)	Suzhou	Residential / commercial	46	20
31	Orient Moon Bay (formerly known as Suzhou Pingwang Project)	Suzhou	Residential	29	50
32	The Moon Mansion	Suzhou	Residential / villa	58	100
33	Suzhou Taihu New Town Project	Suzhou	Residential / serviced apartment / office / commercial / hotel	99	29
34	The Vision of the World	Chengdu	Residential / serviced apartment / commercial	54	100
35	Chengdu Cosmos	Chengdu	Residential / serviced apartment / office / commercial / hotel	314	100
36	Chengdu Sky Ville	Chengdu	Residential / serviced apartment / office / commercial	191	50
37	Yunshang Retreat	Chengdu	Residential / villa / commercial / hotel	611	55
38	Fragrant Seasons	Beijing	Residential / villa / serviced apartment / commercial	2	100
39	La Villa	Beijing	Residential / villa / commercial	10	50
40	Beijing Apex	Beijing	Residential / villa / serviced apartment / commercial	27	50
41	M·Cube	Beijing	Commercial	16	100
42	Summer Terrace	Beijing	Residential / commercial	19	100
43	KWG Center I	Beijing	Service apartment / office / commercial	128	100
44	KWG Center II	Beijing	Service apartment / office / commercial	125	100
45	Rose and Ginkgo Mansion	Beijing	Villa	27	33
46	The Core of Center	Beijing	Residential / villa / serviced apartment / commercial / hotel	202	100
47	Beijing Niulanshan 1107# Project	Beijing	Residential	39	100
48	Pearl Coast	Hainan	Residential / villa / hotel	160	100
49	Villa Como	Hainan	Residential / villa / commercial / hotel	363	100
50	Hainan Lingao Project	Hainan	Residential	34	20
51	International Metropolis Plaza	Shanghai	Office / commercial	45	100
52	The Core of Center	Shanghai	Residential / serviced apartment / office / commercial	29	50
53	Shanghai Apex	Shanghai	Residential / serviced apartment / commercial / hotel	37	100
54	Shanghai Sapphire	Shanghai	Serviced apartment / commercial / hotel	51	100
55	Amazing Bay	Shanghai	Residential / serviced apartment / office / commercial / hotel	54	50
56	Vision of World	Shanghai	Residential / serviced apartment / commercial / hotel	122	100
57	Glory Palace	Shanghai	Residential	121	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
58	Jinnan New Town	Tianjin	Residential / villa / serviced apartment / commercial	495	25
59	Tianjin The Cosmos	Tianjin	Residential / villa / commercial	262	100
60	Tianjin Jinghai Project	Tianjin	Residential	115	49
61	The Core of Center	Nanning	Residential / villa / serviced apartment / office / commercial	361	87
62	International Finance Place	Nanning	Office / commercial	36	100
63	Top of World	Nanning	Residential / villa / commercial	389	100
64	Fragrant Season	Nanning	Residential / villa / commercial	301	100
65	Impression Discovery Bay I	Nanning	Residential / commercial	101	34
66	Impression Discovery Bay II	Nanning	Residential / commercial	50	34
67	The Mulian Hangzhou	Hangzhou	Commercial / hotel	18	100
68	The Moon Mansion	Hangzhou	Residential / villa	2	51
69	Sky Ville (formerly known as Sky Villa)	Hangzhou	Residential / villa	56	100
70	Majestic Mansion	Hangzhou	Residential / villa	33	100
71	Puli Oriental	Hangzhou	Residential / commercial	8	50
72	Hangzhou Linping Project	Hangzhou	Serviced apartment / commercial	15	60
73	Shine City	Nanjing	Residential / office / commercial	18	50
74	Nanjing Yuhuatai Project	Nanjing	Residential / commercial	16	19.75
75	Nanjing Lukou Project	Nanjing	Residential	41	100
76	Oriental Bund	Foshan	Residential / villa / serviced apartment / office / commercial	1,168	50
77	The Riviera	Foshan	Residential / commercial	122	51
78	One Palace (formerly known as Riverine Capital)	Foshan	Residential / serviced apartment / commercial	89	33.3
79	Foshan Apex	Foshan	Residential / serviced apartment / commercial	21	50
80	Foshan Longjiang Project	Foshan	Residential / commercial	38	34
81	City Moon I	Hefei	Residential / commercial	71	51
82	City Moon II	Hefei	Residential / commercial	42	51
83	The One	Hefei	Residential / commercial	165	100
84	Park Mansion	Hefei	Residential	51	50
85	Joyful Season	Wuhan	Residential / villa / commercial	138	60
86	The Buttonwood Season I	Wuhan	Residential / villa / commercial	92	100
87	The Buttonwood Season II	Wuhan	Residential / villa / commercial	142	100
88	Exquisite Bay	Xuzhou	Residential / commercial	114	50
89	Fragrant Season	Xuzhou	Residential / serviced apartment / commercial	45	50
90	Xuzhou Tongshan Project I	Xuzhou	Residential	24	33
91	Xuzhou Tongshan Project II	Xuzhou	Residential / commercial	34	33
92	Majestic Mansion	Jiaxing	Residential / commercial	98	100
93	Star City	Jiaxing	Residential	29	25
94	Jiashan Yaozhuang Project	Jiaxing	Residential	66	100
95	Top of World Residence I (formerly known as Linhai Project I)	Taizhou	Residential	83	100
96	Top of World Residence II (formerly known as The Cullinan)	Taizhou	Residential / commercial	101	100
97	Linhai Mansion	Taizhou	Residential / commercial	100	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest ('000 sq.m.)	Interest Attributable to the Group (%)
98	Star Mansion	Taizhou	Residential / commercial	19	33
99	Jinan Zhangqiu Project	Jinan	Residential	151	49
100	Jinan Zhang Ma Tun C6# Project	Jinan	Residential / commercial	26	20
101	Jinan Zhang Ma Tun C8# Project	Jinan	Residential / commercial	26	20
102	Fragrant Season	Changshu	Residential	36	40
103	Changshu Qinhu Project	Changshu	Residential	17	25
104	Liu Xiang Mansion	Lishui	Residential / commercial	60	49
105	The Riviera Chongqing	Chongqing	Residential / commercial	47	100
106	The Cosmos Chongqing	Chongqing	Residential / office / commercial / hotel	388	100
107	The Moon Mansion	Chongqing	Residential	27	39
108	Chongqing Two River New District Project C43–1/02#	Chongqing	Residential	47	50
109	Jiangsu Taicang Project	Taicang	Residential	118	100
110	Oriental Mansion (formerly known as Wuxi Xinwu Project)	Wuxi	Residential / commercial	23	20
111	Wuxi Huishan Project	Wuxi	Residential / villa / commercial	84	49
112	Exquisite Palace	Wuxi	Residential / commercial	42	45
113	Star Mansion	Wuxi	Residential / commercial	28	50
114	Vision of World	Zhaoqing	Residential / commercial	193	100
115	Zhaoqing Duanzhou Project	Zhaoqing	Residential / commercial	62	33
116	The Moon Mansion	Zhongshan	Residential / commercial	71	50
117	Serenity in Prosperity	Nantong	Residential / villa / commercial	105	51
118	Oriental Beauty	Nantong	Residential	113	70
119	The Moon Mansion	Liuzhou	Residential / villa / commercial	167	100
120	Fortunes Season	Liuzhou	Residential / commercial / hotel	1,126	100
121	Shenzhen Bantian Project	Shenzhen	Service apartment / office / commercial	119	100
122	Shenzhen Yantian Project	Shenzhen	Office / commercial	69	51
123	Life in Yueshan County	Huizhou	Residential / commercial	225	60
124	The Horizon	Jiangmen	Residential	38	100
125	Jiangmen Apex	Jiangmen	Residential / serviced apartment / commercial	132	100
126	Cullinan Mansion (formerly known as Joyful Noble Residential Area)	Wenzhou	Residential / commercial	113	100
127	Dongguan Shipai Project	Dongguan	Residential / villa / commercial	26	12.5
128	Yangzhou Apex	Yangzhou	Residential / commercial	198	100
129	Ningbo Beilun Project	Ningbo	Residential	53	49
130	Meishan Apex	Meishan	Residential / commercial	134	100
131	Chenzhou Wangxian Eco-tourism Project	Chenzhou	Residential / villa	73	50
132	Hong Kong Ap Lei Chau Project	Hong Kong	Residential	35	50
133	Hong Kong Kai Tak Project	Hong Kong	Residential	27	50

Project Summary

Guangzhou — 22 projects
Total Attributable GFA
approximately 3,866,000 sqm
The Summit
International Metropolitan Plaza
Tian Hui Plaza (including The Riviera and Top Plaza)
The Star
Top of World
The Eden
Zengcheng Gua Lv Lake
Essence of City
International Commerce Place
CFC (including Mayfair and International Finance East)
The Horizon
Fortunes Season
Nansha River Paradise
Guangzhou Tianhe Project
V-city
Guangzhou Baiyun Project
E-city
IFP
Four Points by Sheraton Guangzhou, Dongpu
The Mulian Huadu
W Hotel/W Serviced Apartments
The Mulian Guangzhou

Foshan — 5 projects
Total Attributable GFA
approximately 1,438,000 sqm
Oriental Bund
The Riviera
One Palace (formerly known as Riverine Capital)
Foshan Apex
Foshan Longjiang Project

Zhaoqing — 2 projects
Total Attributable GFA
approximately 255,000 sqm
Vision of World
Zhaoqing Duanzhou Project

Huizhou — 1 project
Total Attributable GFA
approximately 225,000 sqm
Life in Yueshan County

Shenzhen — 2 projects
Total Attributable GFA
approximately 188,000 sqm
Shenzhen Bantian Project
Shenzhen Yantian Project

Jiangmen — 2 projects
Total Attributable GFA
approximately 170,000 sqm
The Horizon
Jiangmen Apex

Zhongshan — 1 project
Total Attributable GFA
approximately 71,000 sqm
The Moon Mansion

Hong Kong — 2 projects
Total Attributable GFA
approximately 62,000 sqm
Hong Kong Ap Lei Chau Project
Hong Kong Kai Tak Project

Dongguan — 1 project
Total Attributable GFA
approximately 26,000 sqm
Dongguan Shipai Project

Suzhou — 11 projects
Total Attributable GFA
approximately 530,000 sqm
The Sapphire
Suzhou Apex
Suzhou Emerald
Leader Plaza
Wan Hui Plaza
Suzhou Jade Garden
Enjoy The Exquisite Life
Orient Aesthetics (formerly known as Suzhou Beiqiao Project)
Orient Moon Bay (formerly known as Suzhou Pingwang Project)
The Moon Mansion
Suzhou Taihu New Town Project

Shanghai — 7 projects
Total Attributable GFA
approximately 459,000 sqm
International Metropolis Plaza
The Core of Center
Shanghai Apex
Shanghai Sapphire
Amazing Bay
Vision of World
Glory Palace

Hefei — 4 projects
Total Attributable GFA
approximately 329,000 sqm
City Moon I
City Moon II
The One
Park Mansion

Taizhou — 4 projects
Total Attributable GFA
approximately 303,000 sqm
Top of World Residence I (formerly known as Linhai Project I)
Top of World Residence II (formerly known as The Cullinan)
Linhai Mansion
Star Mansion

Hangzhou — 6 projects
Total Attributable GFA
approximately 136,000 sqm
The Mulian Hangzhou
The Moon Mansion
Sky Ville (formerly known as Sky Villa)
Majestic Mansion
Puli Oriental
Hangzhou Linping Project

Xuzhou — 4 projects
Total Attributable GFA
approximately 217,000 sqm
Exquisite Bay
Fragrant Season
Xuzhou Tongshan Project I
Xuzhou Tongshan Project II

Nantong — 2 projects
Total Attributable GFA
approximately 218,000 sqm
Serenity in Prosperity
Oriental Beauty

Jiaxing — 3 projects
Total Attributable GFA
approximately 193,000 sqm
Majestic Mansion
Star City
Jiashan Yaozhuang Project

Yangzhou — 1 project
Total Attributable GFA
approximately 198,000 sqm
Yangzhou Apex

Wuxi — 4 projects
Total Attributable GFA
approximately 177,000 sqm
Oriental Mansion (formerly known as Wuxi Xinwu Project)
Wuxi Huishan Project
Exquisite Palace
Star Mansion

Taicang — 1 project
Total Attributable GFA
approximately 118,000 sqm
Jiangsu Taicang Project

Wenzhou — 1 project
Total Attributable GFA
approximately 113,000 sqm
Cullinan Mansion (formerly known as Joyful Noble Residential Area)

Ningbo — 1 project
Total Attributable GFA
approximately 79,000 sqm
Ningbo Beilun Project

Lishui — 1 project
Total Attributable GFA
approximately 60,000 sqm
Liu Xiang Mansion

Nanjing — 3 projects
Total Attributable GFA
approximately 75,000 sqm
Shine City
Nanjing Yuhuatai Project
Nanjing Lukou Project

Changshu — 2 projects
Total Attributable GFA
approximately 53,000 sqm
Fragrant Season
Changshu Qinhu Project

Liuzhou — 2 projects
Total Attributable GFA
approximately 1,293,000 sqm
The Moon Mansion
Fortunes Season

Nanning — 6 projects
Total Attributable GFA
approximately 1,238,000 sqm
The Core of Center
International Finance Place
Top of World
Fragrant Season
Impression Discovery Bay I
Impression Discovery Bay II

Chengdu — 4 projects
Total Attributable GFA
approximately 1,170,000 sqm
The Vision of the World
Chengdu Cosmos
Chengdu Sky Ville
Yunshang Retreat

Tianjin — 3 projects
Total Attributable GFA
approximately 874,000 sqm
Jinnan New Town
Tianjin The Cosmos
Tianjin Jinghai Project

Hainan — 3 projects
Total Attributable GFA
approximately 557,000 sqm
Pearl Coast
Villa Como
Hainan Lingao Project

Beijing — 10 projects
Total Attributable GFA
approximately 595,000 sqm
Fragrant Seasons
La Villa
Beijing Apex
M • Cube
Summer Terrace
KWG Center I
KWG Center II
Rose and Ginkgo Mansion
The Core of Center
Beijing Niulanshan 1107# Project

Chongqing — 4 projects
Total Attributable GFA
approximately 509,000 sqm
The Riviera Chongqing
The Cosmos Chongqing
The Moon Mansion
Chongqing Two River New District Project C43-1/02#

Wuhan — 3 projects
Total Attributable GFA
approximately 372,000 sqm
Joyful Season
The Buttonwood Season I
The Buttonwood Season II

Jinan — 3 projects
Total Attributable GFA
approximately 203,000 sqm
Jinan Zhangqiu Project
Jinan Zhang Ma Tun C6# Project
Jinan Zhang Ma Tun C8# Project

Meishan — 1 project
Total Attributable GFA
approximately 134,000 sqm
Meishan Apex

Chenzhou — 1 project
Total Attributable GFA
approximately 73,000 sqm
Chenzhou Wangxian Eco-tourism Project

Directors and Senior Management's Profile

Director

Executive Directors

Kong Jianmin, aged 51, is the founder of the Group and an executive director and the chairman of the Company. Mr. Kong is also a member of the remuneration committee and the chairman of the nomination committee of the Company. Mr. Kong is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. Kong graduated from Jinan University majoring in computer science in 1989. Mr. Kong has over 24 years of experience in property development and investment. Mr. Kong is a brother of Kong Jian Tao and Kong Jian Nan. Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands (the "BVI"), various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jiantao, aged 48, is an executive director and the chief executive officer of the Company. Mr. Kong is responsible for the overall operation of the Group's projects. He has over 24 years of experience in property development and has been a director of the Group since 1995. Mr. Kong is a brother of Kong Jian Min and Kong Jian Nan. Mr. Kong is also a director of most of subsidiaries incorporated in the BVI, various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jiannan, aged 53, is an executive director and executive vice president of the Company. Mr. Kong is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs of the Group. He is a graduate of China Central Radio and TV University and joined the Group in 1999. Mr. Kong is a brother of Kong Jian Min and Kong Jian Tao. Mr. Kong is also a director of most of subsidiaries incorporated in the BVI and various subsidiaries incorporated in the PRC and three subsidiaries incorporated in Hong Kong.

Tsui Kam Tim, aged 50, is an executive director, the chief financial officer and the company secretary of the Company. Mr. Tsui is primarily responsible for the financial management and supervision of financial reporting, corporate finance, treasury, tax, risk management including internal control and other finance-related matters. Mr. Tsui graduated from Australia National University with a bachelor's degree in commerce and is a professional member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he was a senior manager of an international firm of certified public accountants. Mr. Tsui joined the Group in January 2007 as the chief financial officer and was appointed as an executive director of the Company in November 2007. Mr. Tsui is also a director of one subsidiary incorporated in the British Virgin Islands and various subsidiaries incorporated in Hong Kong.

Cai Fengjia, aged 49, is an executive director and the chief executive officer of the Company's real estate business. Mr. Cai graduated from Hunan University with a bachelor's degree in architecture and is a registered architect. Mr. Cai joined the Group in May 2007 and has served as the deputy general manager of its Suzhou's real estate sector, the general manager of its Hangzhou's real estate sector and general manager of Eastern China District. He was appointed as chief executive officer of real estate business of the Company in December 2017. Prior to joining the Group, Mr. Cai worked in Guangdong Provincial Architectural Design Institute from 1992 to 2005.

Independent Non-Executive Directors

Lee Ka Sze, Carmelo JP, aged 58, is an independent non-executive director and a member of the audit committee of the Company. Mr. Lee joined the Company in June 2007. He received a bachelor's degree in Laws and the Postgraduate Certificate in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. Lee is an independent non-executive director of Esprit Holdings Limited and China Pacific Insurance (Group) Co., Ltd., and a non-executive director of CSPC Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company Limited, Termbray Industries International (Holdings) Limited and Yugang International Limited, all of which are listed on the Stock Exchange. Mr. Lee has been appointed a member of InnoHK Steering Committee for a period of two years from 4 February 2019 to 3 February 2021. He is also a chairman of the Appeal Tribunal Panel (Buildings) (Section 45 of the Buildings Ordinance, Chapter 123 of the Laws of Hong Kong) and a convenor cum member of the Financial Reporting Review Panel of The Financial Reporting Council. Mr. Lee was the chairman of the Listing Committee of the Stock Exchange from May 2012 to July 2015 after serving as a deputy chairman and a member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003, respectively.

Tam Chun Fai, aged 56, is an independent non-executive director, the chairman of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of the Company. Mr. Tam joined the Company in June 2007. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and is also a member of Chartered Financial Analyst. Mr. Tam has over 33 years of experience in auditing and corporate advisory services as well as financial management and compliance work. He is an executive director, the chief financial officer and the company secretary of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange and is an independent non-executive director of Hi Sun Technology (China) Limited, a company listed on the Main Board of the Stock Exchange.

Li Binhai, aged 69, is an independent non-executive director, a member of each of the remuneration committee, the nomination committee and the audit committee of the Company. He was the former chairman of Poly Real Estate Group Co., Ltd. ("Poly Real Estate", together with its subsidiaries, the "Poly Real Estate Group"), a company listed on the Shanghai Stock Exchange and retired on 31 May 2010 after 20 years at the helm of Poly Real Estate. Before his retirement, he held various positions within the Poly Real Estate Group, including the general manager of Guangzhou Poly Real Estate Development Corporation, director and deputy general manager of Poly Southern Group Co., Ltd. and chief economist of China Poly Group Corporation.

Senior Management

Lin Kaiping, aged 45, is the general manager of commercial affairs division of the Group. Ms. Lin joined the Group in April 2004 and was the general manager of Guangzhou Ningjun Property Management Limited. She is now mainly responsible for the Group's commercial properties management in China. Ms. Lin graduated from the University of International Business and Economics majoring in administration management. Prior to joining to the Group, Ms. Lin worked in a world's leading British property management company. She has 26 years of extensive working experience in property management.

Li Ning, aged 54, is the general manager of product research and development of the Group. Mr. Li joined the Group in November 2010 and is mainly responsible for the development and design of products of the Group. Mr. Li is a grade-one national registered architect and senior architecture design engineer. Mr. Li graduated from Murdoch University with a master's degree in business administration. Mr. Li has 30 years of experience in designing large-scaled integrated architecture and operational management.

Chen Guangchuan, aged 50, is the vice president of the Group. Mr. Chen graduated from Guangzhou Open University, majoring in business administration. Mr. Chen joined the Group in October 2009 and was the general manager of its Hainan's real estate sector. He is now mainly responsible for the management of land reserves in China as well as financing management of the Group. Before joining the Group, Mr. Chen was a general manager of a real estate company.

Jin Yanlong, aged 39, is the general manager of the Group's Northern China District and the general manager of its Suzhou real estate sector. Mr. Jin obtained a bachelor's degree in electrical engineering and automation from Nanjing Tech University. Mr. Jin joined the Group in June 2008 and was the engineering manager and the deputy general manager of its Hangzhou's real estate sector. Currently, Mr. Jin is mainly responsible for the overall management and operation of Northern China District and Suzhou's real estate sector of the Group.

Yang Huan, aged 37, is the general manager of sales management centre of the Group. Mr. Yang graduated from Tianjin Chengjian University, majoring in land resources management. Mr. Yang joined the Group in February 2015 as the general manager of sales management centre and is responsible for the sales management across the PRC. Before joining the Group, Mr. Yang worked in one of the Top 10 enterprises in the real estate industry. He has 12 years of extensive experience in sales management.

Huang Yanping, aged 45, is the vice president of financial fund of the Group. Ms. Huang graduated from the University of Maryland in the US with a master's degree in business administration. Ms. Huang joined the Group in September 2008 and was the director of financial fund and the general manager of financial fund of the Group. Currently, Ms. Huang is responsible for the management of financial fund of the Group. She has 22 years of extensive experience in financial management.

Luo Qing, aged 55, is the general manager of construction sector of the Group. Mr. Luo graduated from South China University of Technology, majoring in construction engineering. Mr. Luo joined the Group in August 2001 and was the general manager of its Chengdu's real estate sector, the general manager of its Beijing's real estate sector and the general manager of its Wuhan's real estate sector. Before joining the Group, Mr. Luo worked in a sound first-tier main construction contractor in Guangzhou. He has 34 years of extensive experience in the management of construction work.

Compliance with the Corporate Governance Code

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor's confidence and the Company's accountability and transparency, but also important to the Company's long-term success. Key practices adopted by the Company on corporate governance are as follows:

- Develop and review the Company's policies and practices on corporate governance
- Review and monitor the training and continuous professional development of directors and senior management
- Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements

The Group strives to attain and maintain effective corporate governance practices and procedures. The Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") throughout the year.

Board of Directors

The Board is in charge of the task of maximizing the financial performance of the Company and making decisions in the best interest of the Company. The Board is also responsible for formulating business policies and strategies, directing and supervising management of the Group, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, considering dividend policy, reviewing and monitoring the Company's systems of financial control and risk management. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the executive directors and management of the Company.

As at 31 December 2018, the Board consists of eight members, including five executive directors, Mr. Kong Jianmin (Chairman), Mr. Kong Jiantao (Chief Executive Officer), Mr. Kong Jiannan, Mr. Tsui Kam Tim and Mr. Cai Fengjia and three independent non-executive directors, Mr. Lee Ka Sze, Carmelo, JP, Mr. Tam Chun Fai and Mr. Li Binhai. Biographical details of the directors are set out on pages 28 to 29. Messrs. Kong Jianmin, Kong Jiantao and Kong Jiannan are brothers. Save as disclosed above, there is no family or other material relationship among members of the Board.

All executive directors have entered into service contracts with the Company for a specific term of three years. Under the articles of association of the Company (the "Articles of Association"), the Board is empowered to appoint any person as a director to fill the casual vacancy on or as an additional director of the Board. According to the board diversity policy, the Board considers a candidate's experience, skill and knowledge and competency and ability to fulfill duty of care and diligence and fiduciary duty and recommendation by the nomination committee (if any).

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive directors have confirmed their independence of the Company and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. All independent non-executive directors have entered into letters of appointment with the Company for a specific term of three years. One third of the directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association.

All directors, including independent non-executive directors, have given sufficient time and effort to the affairs of the Group. Independent non-executive directors have provided the Board with their diversified expertise, experience and professional advice. The directors come from diverse background with varied expertise in finance, legal and business field. The Board believes that the ratio between executive directors and independent non-executive directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Board also believes that the views and participation of the independent non-executive directors in the Board and committee meetings provides independent judgment on the issues relating to strategy, performance, conflict of interest and management process to ensure that the interests of all shareholders are considered and safeguarded. The Company has maintained an updated list of its directors identifying their roles and functions on websites of the Company and the Stock Exchange. Independent non-executive directors are identified as such in all corporate communications that disclose the names of directors of the Company.

All directors have full and timely access to all relevant information in relation to the Group's businesses and affairs as well as unrestricted access to the advice and services of the Company Secretary, who is responsible for providing directors with board papers and related materials. The directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

The Company has subscribed appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against directors arising out of corporate activities.

During the year of 2018, the Board held four regular meetings. At these Board meetings, directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, reviewed the financial performance, the interim result and the annual result. Monthly updates and quarterly management accounts of the Company were provided by the management to the Board members, gave a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable them to discharge their duties under Rule 3.08 and chapter 13 of the Listing Rules. In addition to Board meetings, the Chairman holds one meeting with independent non-executive directors annually without the presence of executive directors.

The Board, through the audit committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2017 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate.

Through the remuneration committee, the Board has reviewed remuneration policy and remuneration packages of individual executive directors, non-executive directors and members of senior management with reference to the goals and objectives of the Company.

Through the nomination committee, the Board, basing on the board diversity policy, has reviewed the structure, size and composition of the Board, the qualification of re-election of the directors under rotation system, the assessment of the independence of independent non-executive directors.

Attendances of the individual directors at the Board meetings and the general meetings in 2018 are set out as follows:

Directors	Board Meetings Attended/ Number of meeting held	General meetings Attended/ Number of meetings held
Executive Directors		
Kong Jianmin *(Chairman)*	4/4	1/4
Kong Jiantao *(Chief Executive Officer)*	4/4	0/4
Kong Jiannan	4/4	0/4
Tsui Kam Tim	4/4	4/4
Cai Fengjia (appointed on 3 September 2018)	2/2	0/1
Li Jianming (resigned on 3 September 2018)	1/2	0/3
Independent Non-Executive Directors		
Lee Ka Sze, Carmelo	4/4	2/4
Tam Chun Fai	4/4	4/4
Li Binhai	4/4	0/4

At least 14 days' notice prior to the date of meeting is given to all directors and an agenda together with Board papers are sent to all directors no less than three days before the date of meeting. All directors are given opportunity to include in the agenda any other matter that they would like to discuss in the meeting. With respect to the Board committee meeting, reasonable prior notice is given to all committee members. All directors and committee members of the Board committee are urged to attend the Board meeting and Board committee meeting in person. For the directors and committee members, who are unable to attend the meeting, participation through electronic means will be arranged and available.

Should a director have a potential conflict of interest in a matter being considered in the Board meeting, he will be abstained from voting. Independent non-executive directors with no conflict of interest will be present at meetings dealing with such conflict of interest issues.

The company secretary assists the chairman of the Board in preparation of the agenda for the Board meeting and Board committee meetings and ensures that all applicable rules and regulations regarding the Board meeting are followed. He also prepares and keeps detailed minutes of each Board meeting and Board committee meeting. Within a reasonable time after each meeting, the draft minutes are circulated to all directors or committee members for comments and the final and approved version of minutes are sent to all directors or committee members for their records. Board committees, including the audit committee, nomination committee and remuneration committee, all follow the applicable principles, practices and procedures used in Board meetings.

During the year ended 31 December 2018, the Company has organised a training session on "Stock Exchange: Consultation Paper on Backdoor Listing, Continuing Listing Criteria and Other Rule Amendments" for all the directors of the Company to attend. The company secretary maintains records of training attended by the directors and Mr. Tsui Kam Tim, the company secretary of the Company, during the year of 2018, has undertaken 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Chairman and Chief Executive Officer

Mr. Kong Jianmin is the chairman of the Board and Mr. Kong Jiantao is the chief executive officer of the Company. As disclosed, Messrs. Kong Jianmin and Kong Jiantao are brothers. Despite their relationship, the divisions of responsibilities between the chairman of the Board and the chief executive officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Mr. Kong Jianmin, being the chairman, is responsible for providing leadership to the Board and ensuring that the Board functions effectively; that directors receive in timely manner adequate information which is complete and reliable and that all directors are properly briefed on issues arising at Board meetings. The chairman also encourages directors to participate actively in and to make a full contribution to the Board so that the Board acts in the best interest of the Company.

Mr. Kong Jiantao, being the chief executive officer, is responsible for the daily operations of the Company, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of Company.

Annual Remuneration Payable to the Members of Senior Management

The annual remuneration of the members of the senior management by band for the year ended 31 December 2018 is as follows:

Remuneration Bands (RMB)	Number of Individuals
0–1,000,000	0
1,000,001–2,000,000	3
2,000,001–3,000,000	2
3,000,001–4,000,000	1
4,000,001–5,000,000	2
5,000,001–6,000,000	0
6,000,001–7,000,000	0
7,000,001–8,000,000	0
8,000,001–9,000,000	0

Compliance With Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code for the financial year ended 31 December 2018.

Directors' Responsibility for the Financial Statements

The directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2018 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" contained in this annual report.

Board Committees

The Board has established three board committees, namely audit committee, remuneration committee and nomination committee, to oversee the particular aspect of the Company's affairs. The board committees are provided with sufficient resources to discharge their duties. The written terms of reference of each committee was posted on the HKEx website and the website of the Company.

Audit Committee and Accountability

In compliance with Rule 3.21 of the Listing Rules, an audit committee was established on 11 June 2007 with written terms of reference in accordance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. As at 31 December 2018, the audit committee comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (the Chairman of the audit committee), Mr. Lee Ka Sze, Carmelo, JP, and Mr. Li Binhai. The audit committee reports to the Board and is delegated by the Board to assess matters related to the financial statements. Under its terms of reference, the audit committee is required to perform and make recommendation to the Board, amongst the others, the following duties:

- making recommendation to the Board on appointment, re-appointment and removal of external auditor of the Group and considering the remuneration and terms of engagement of that external auditor;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing the Group's financial controls, internal control and risk management system;
- reviewing the Group's financial and accounting policies and practices;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control and risk management systems;
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board;
- reviewing and monitoring the integrity of the Groups' financial statements, annual reports, accounts and half-year report;
- reviewing and monitoring the Company's policies and practices on corporate governance and the relevant legal and regulatory requirements and their compliances.

The audit committee held two meetings and all minutes were kept by the Company Secretary. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statement for the year ended 31 December 2017 and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018. It has also reviewed and recommended to the Board the current policies and practices on corporate governance of the Company, the Company's compliance with the corporate governance code and the disclosure in the corporate governance report. Further, it has reviewed and monitored the training and continuous professional development of directors and senior management, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the current code of conduct applicable to employees and directors and recommended the same to the Board. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability.

Attendance of individual members of the audit committee at meetings for the year ended 31 December 2018 is set out as follows:

Committee Members	Meetings attended/ Number of meeting held
Tam Chun Fai	2/2
Lee Ka Sze, Carmelo	2/2
Li Binhai	2/2

For the year ended 31 December 2018, the external auditor's remuneration in respect of audit services provided to the Group amounted to RMB4,700,000 and fees for non-audit services amounted to an aggregate amount of RMB2,750,000, being the service charge for the review of financial information. Non-audit services mainly consisted of advisory, review and other reporting services.

Remuneration Committee

The remuneration committee was established with written terms of reference in accordance with the code provisions as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include but not limited to formulate and make recommendations on remuneration policy and remuneration package of the directors and members of senior management to the Board. As at 31 December 2018, the Remuneration Committee comprises an executive director, namely Mr. Kong Jianmin, and two independent non-executive directors, namely Mr. Tam Chun Fai (Chairman) and Mr. Li Binhai.

One remuneration committee meeting was held in 2018. It has reviewed and formulated policies in respect of remuneration structure of all directors and senior management of the Company, reviewed the remuneration packages of individual executive directors, individual non-executive directors and senior management and made recommendations to the Board for its consideration and reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives.

Attendance of individual members of the remuneration committee at meetings for the year ended 31 December 2018 is set out as follows:

Committee Members	Meetings attended/ Number of meeting held
Kong Jianmin	1/1
Tam Chun Fai	1/1
Li Binhai	1/1

Nomination Committee

The nomination committee was established on 11 June 2007. The nomination committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and making recommendations to the Board on selection of candidates for directorships. As at 31 December 2018, the nomination committee comprises an executive director, namely Mr. Kong Jianmin (Chairman), and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Li Binhai.

One nomination committee meeting was held in 2018. It has reviewed the structure, size and composition (including skills, knowledge and experience) of the Board; has assessed the independence of independent non-executive directors and the retired directors for re-election; and has reviewed whether every director gives sufficient time and attention to the company's affairs. The aforesaid review and assessment were recommended to the Board. The board diversity policy was adopted. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, length of service, or professional experience. Other than the above factors, the Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Attendance of individual members of the nomination committee at meetings for the year ended 31 December 2018 is set out as follows:

Committee Members	Meetings attended/ Number of meeting held
Kong Jianmin	1/1
Tam Chun Fai	1/1
Li Binhai	1/1

Policy for the nomination of directors

The Company's policy for the nomination of directors of the Company (the "Nomination Policy") was adopted pursuant to resolutions of the Board. Pursuant to the Nomination Policy, the nomination committee of the Board shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as directors at general meetings of the Company or to appoint as Directors to fill casual vacancies or as an addition to the existing Board. The non-exhaustive factors listed below would be used as reference by the nomination committee in assessing the suitability of a proposed candidate.

- Reputation for integrity;
- Accomplishment and experience;
- Compliance with legal and regulatory requirements;
- Commitment in respect of available time and relevant interest; and
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Nomination Procedures

The secretary of the nomination committee shall call a meeting of nomination committee, and invite nominations of candidates from Board members, if any, for consideration by the nomination committee prior to its meeting. The nomination committee may also put forward candidates who are not nominated by Board members.

For filling a casual vacancy, the nomination committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.

Pursuant to the Articles of Association, a member of the Company (duly qualified to attend and vote at the meeting) who wish to recommend a candidate for election to the office of Director at any general meeting of the Company must submit a signed written notice, for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the registration office of the Company, provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The nomination committee should also assess the independence of independent non-executive directors of the Company, and should take into account factors for independence as prescribe by the Listing Rules in force as amended from time to time.

Risk Management and Internal Control

The Board is responsible for maintaining sound and effective risk management and internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing and monitoring the effectiveness of the Company's risk management and internal control system on a regular basis so as to ensure that internal control and risk management system in place are adequate. The audit committee assists the Board in performing its governance functions as to finance, operation, compliance, risk management and internal control of the Group. The risk management centre assists the Board and/or the audit committee in reviewing the effectiveness of the risk management and internal control system of the Group on a continual basis. The Board may be informed regularly of material risks that would affect the performance of the Group.

The Group applies the "three lines of defense" model as the basic structure of the risk management and internal control system:

First line of defense: The Group integrates the risk management system in the core business operation practices. Each operating unit is responsible for identifying and assessing its respective risks and formulating appropriate risk mitigating measures within its terms of reference. The implementation of risk mitigating measures is monitored and the conditions of risk management work are reported to the management in a timely manner.

Second line of defense: Each function department of the Group provides and promotes the methodology and instruments of risk management and control for the first line of defense. Meanwhile, significant risks across disciplines, processes and departments are under streamlined management, and risk reminder and control strategy study are conducted on such basis.

Third line of defense: The Group's risk management centre is mainly responsible for monitoring the compliance with policies and procedures by the Group and its major departments as well as the effectiveness of internal control structure, conducting independent assessment of the financial and operational activities of the Group, and providing constructive advice to relevant management. The risk control audit department organises regular risk assessment of the Group and formulates internal audit plan for the year based on the results of the risk assessment. The results of the audit will also be reported to the audit committee.

The Board conducted a review and assessment of the effectiveness of the Group's risk management and internal control system as to financial, operational and compliance control and risk management for the year ended 31 December 2018. The assessment was discussed among the management of the Company, its external auditor and the Group's risk management centre and reviewed by the audit committee. The Board believes that the existing risk management and internal control system is adequate and effective.

Shareholder Relations

The Company understands the importance of maintaining effective mutual communication with its shareholders and values every opportunity to communicate with them. The Company has adopted a policy of disclosing clear and relevant information to shareholders through various channels in a timely manner. Annual and interim reports are printed and sent to all shareholders by post as requested. The Company has also complied with the Listing Rules by posting announcements, notices, annual reports, interim reports, shareholders' circulars and monthly updates on the websites of the Stock Exchange and the Company (www.kwggroupholdings.com) for the designated period. Apart from these documents, press releases and newsletters are posted on the Company's website to enhance its transparency. Being constantly updated in a timely manner, the website also contains a wide range of additional information on the Company's business activities.

In addition to publication of information, the annual general meeting of the Company provides a forum for communication between shareholders and directors. The chairman of the Board personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. Moreover, the briefing on the Company's business and the questions and answer session at the meeting allow shareholders to stay informed of the Group's strategies and goals.

In addition to the chairman of the Board, the chairman of the Board committees, or in their absence, other members of the respective committees, the auditor of the Company and the Hong Kong legal advisor of the Company, are available to answer any queries that shareholders may have. The chairman of the annual general meeting will propose separate resolutions for each issue to be considered at the meeting.

The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices and shareholders' rights are preserved. Notice of annual general meeting is delivered to all shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the chairman of the Board. Vote results are released by way of publication of an announcement.

Policy on payment of dividends

The Company's policy on payment of dividends (the "Dividend Policy") was adopted by the Company pursuant to Board resolutions. The Dividend Policy is summarized as below.

Factors for declaration of dividends

Declaration of dividends is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

(i) financial results;

(ii) shareholders' interests;

(iii) general business conditions and strategies;

(iv) capital requirements;

(v) taxation considerations;

(vi) contractual, statutory and regulatory restriction, if any; and

(vii) any other factors that the Board may deem relevant.

General power to declare dividends

Subject to the Cayman Islands Companies Law and the Articles of Association, the Company may from time to time declare dividends in any currency to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board. The Board may also from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the net realisable value of the assets of the Company.

Dividends to be paid out of profits or reserves

In accordance with the Articles of Association, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors of the Company determine is no longer needed. Before recommending any dividend, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied.

Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Islands Companies Law.

Shareholders' Rights

Procedures for shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to Article 58 of the Articles of Association, any one or more members 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 ("EGM Requisitionists") shall at all times have the right, by written requisition sent to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong ("Principal Office"), which is presently situated at Units 8503–05A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request must be signed by all the EGM Requisitionists, any may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The share registrar will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the share registrar that the EGM Requisitionists' request is in order, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the EGM Requisitionists' himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed to the EGM Requisitionists by the Company.

Procedures for putting forward proposals at general meeting

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law. However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notices(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations department which contact details are as follows:

Investor Relations Department
KWG Group Holdings Limited
Units 8503–05A, Level 85, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

Fax: (852) 2878 7091
Email: ir@kwggroupholdings.com

Significant changes in the Company's constitutional documents

During the year ended 31 December 2018, the Company made amendments to its Articles of Association, such that the Board could declare and pay interim and final dividends out of the share premium account of the Company. The amended Articles of Association of the Company was uploaded onto the website of the Stock Exchange and the Company.

Environmental, Social and Governance Report

PREFACE

KWG Group attaches great importance to the enhancement of corporate image and takes the initiative to shoulder social responsibilities of an enterprise in respect of the environment and the community amid steady and rapid development in order to create a better living place for the public.

As a leading property developer in China, KWG Group continues to improve its governance, seeking to ensure proper monitoring of and control over the impact on the community and the environment as well as the availability of comprehensive and accurate information as the basis of decision-making by delegating the managerial responsibilities to each and every functional department, subsidiary and project in the course of property development in future. Being aware of the significance of environmental management and sustainable development, KWG Group will actively promote the concept of green living, striving to offer comfortable green architectures featuring low energy consumption and the use of renewable energy. Meanwhile, KWG Group will continue to fulfil its corporate social responsibilities by participating in charitable events and driving the all-round development of the society.

Looking forward, the Group will continue to uphold its core philosophy of "build home with heart, create future with aspiration" and perceive the enhancement of environmental, social and governance image of the Company as an integral part of corporate development. By realising its philosophy in every detail of business operation, it is committed to forging a better future for the society and the corporate.

About this report

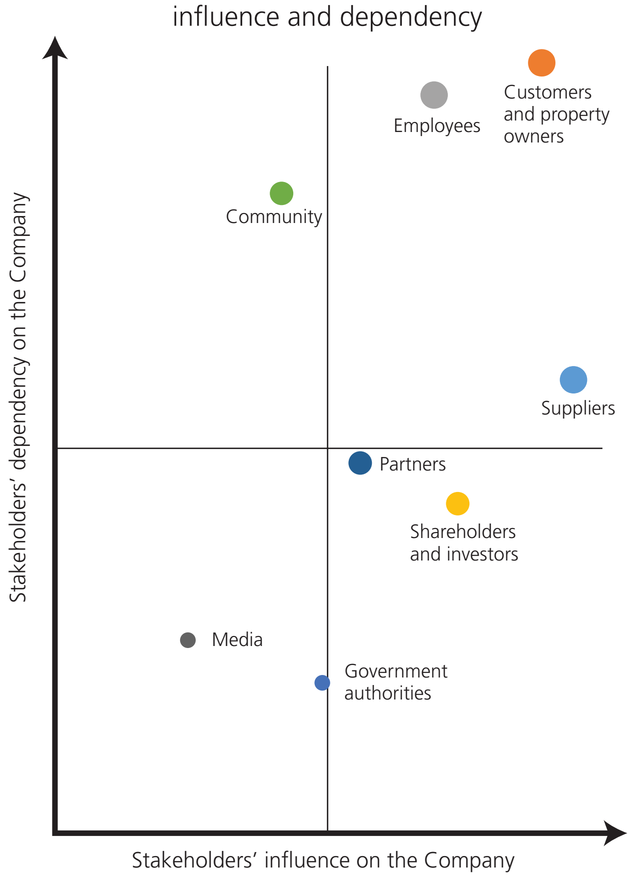
This report has been prepared in accordance with the "Environmental, Social and Governance ("ESG") Reporting Guide" as set out in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It covers the Group's ESG policies, measures and performance, enables the public to gain better understanding on the Group's sustainable operation principle and enhances the Group's transparency. This report encompasses Chinese and English version, which have been uploaded onto the website of the Stock Exchange and the Company (www.kwggroupholdings.com). Please refer to the Group's ESG report of the current year and prior years.

The reporting scope of this report mainly covers property development, property investment, hotel operation and property management businesses operated by the Group during 1 January 2018 to 31 December 2018. Environmental performance covers two places of business operation, being the Guangzhou headquarters and the Hong Kong branch. The Group will strive to enhance its transparency of operation and improve the scope of disclosure of the report.

Sustainability governance

The Group's employees understand the views of various stakeholders on the Group through different channels and carry out discussion in management meeting with regard to the degree of influence and dependency of stakeholders to arrive at the following matrix. Stakeholders positioned closer to the upper right of the matrix are more material to the Group's operation. As such, the Group has made more comprehensive disclosure on the relevant policies and also made sufficient disclosure on issues related to other stakeholders in the report.

Matrix of stakeholders' influence and dependency



Communication with stakeholders

In order to review the process of operation objectively to improve corporate governance, the Group has established communication channels with various parties and will seek constant improvement so as to listen to more needs and opinions.

Stakeholder	Concerned issue	Communication channel and response
Suppliers	• fair and competitive tender process	• conducting technology and quality assessment to tenders • setting up engagement criteria and practices • interviews and emails
Employees	• employees' rights and benefits • workplace safety and occupational health • work-life balance • career development and promotion path	• trainings and workshops on safety knowledge • providing in-service training opportunities in respect of management theory • organising staff events • offering clear promotion ladder
Customers and property owners	• product quality and services • satisfying customers' needs	• customers' satisfaction survey • offering professional after-sales services
Community	• public welfare • environmental protection	• actively participating in community services • organising charitable events • forming volunteer groups
Shareholders and investors	• return and growth • profitability • disclosure on corporate operation information	• general meetings • regular disclosure on operation information • announcements/circulars, annual reports and financial statements available on the Company's website
Government authorities	• compliance with the laws and regulations • paying tax in accordance with the law	• setting up policy for green office, construction and architecture • executing and complying with national policies
Partners	• transparent, fair and unbiased procurement process • observing and performing contracts	• regular working meetings • plant inspection
Media	• environmental protection • transparency on operation	• regular disclosure of information • maintaining close relationship

Environmental governance and policies

Green office

The Group has formulated various office management systems specific to different aspects at office and required strict compliance by members of the Group. The followings are some of the environmental policies and measures implemented by the Group.

Environmental policies		Environmental measures
	Reduce electricity consumption	• Ensure the lightings are turned off in respective office areas after work • Switch off the power of computer equipment after work • Give priority to green products
	Reduce water usage	• Remind employees to reduce water usage in daily operation • Install water-saving devices such as sensor faucets in water facilities
	Reduce paper usage	• Encourage employees to make duplex copies • Promote paperless meetings by transforming paper agenda to online agenda

Green living

The Group capitalises on technology to provide customers with a convenient and environmentally friendly way of life, striving to offer better quality of life without compromising the interest of customers. With enormous effort made, KWG has launched an innovative app this year, namely, "KWG Future Home app", which targets all property owners and customers and covers such exclusive service functions as property services, retail purchase discount, VR home viewing, life services and member benefits. Through the establishment of a one-stop smart service platform attending to extensive basic necessities, the app provides profound scenario-specific mobile community services.

In addition, the Group has entered into a strategic cooperation agreement with Xiao Huang Gou Environmental Technology Limited* (小黃狗環保科技有限公司) ("Xiao Huang Gou") to procure the synergic and rapid development of real estate property and diversified business segments by deepening the deployment of "industry + real estate property", and to create a sustainable ecosphere. The Group intends to establish a comprehensive operating system in the developments from recycling by residents to sorting, selection and sale, so as to join hands with customers to realise sustainable development.

Green construction

KWG Group pays close attention to the environmental impact in the course of project construction. It is in strict compliance with the "Construction Law of the People's Republic of China", the "Regulation on the Administration of Construction Project Environmental Protection", the "Environmental Protection Law of the People's Republic of China" and other laws and regulations to ensure the quality and safety of construction work. It is also committed to reducing the negative impact on the environment and the ecosystem during construction work by employing advanced equipment, technology and environmental construction materials in accordance with the management standards for construction sites formulated by the Group.

Six resource segments of "KWG Future Home app"

Green construction (continued)

Dust

In order to minimise dust pollution, prefabricated concrete is used in the construction sites, where dust suppression devices such as sprinklers and fog guns are in place and measures like soil covering and solidification are adopted.

Noise

The Group is in strict compliance with the "Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution", with rigid control over working hours at the construction sites and the use of low-noise equipment. Ambient noise in the construction sites conforms to the requirements of the National Standards for Noise Control GB3096.

Sewage

The Group has not encountered difficulties in securing water source and has adopted vigorous measures to control the sewage produced during the construction process in accordance with the "Law of the People's Republic of China on Prevention and Control of Water Pollution". Separate drainage systems are set up for domestic sewage and industrial sewage respectively, where industrial sewage will be handled in sewage treatment plant while domestic sewage will be discharged to the municipal sewage pipe networks to protect ecological water resources.

Waste

The Group has endeavoured to minimise waste generated during project development. The measures adopted and the outcome attained are set out below:

(1) Material supply plan has been formulated to consider the types and amount of materials required during construction. Procurement has been carried out in accordance with the plan to avoid wastage resulted from excessive procurement and unreasonable usage. Materials applied in all projects meet the national environmental standards.

(2) Greater effort has been made in the planning and management of construction work to constantly improve management standard, enhance the environmental awareness of construction workers as well as reduce waste of construction materials and avoid production of massive refuse from rework due to poor construction quality.

(3) New construction technology has been promoted to avoid unnecessary construction refuse generated due to the destruction and damage incurred during the transportation, storage and installation of construction materials. The precision of installation and construction has also been heightened to avoid garbage produced from demolition and revamp. Unnecessary packaging of construction products has been avoided.

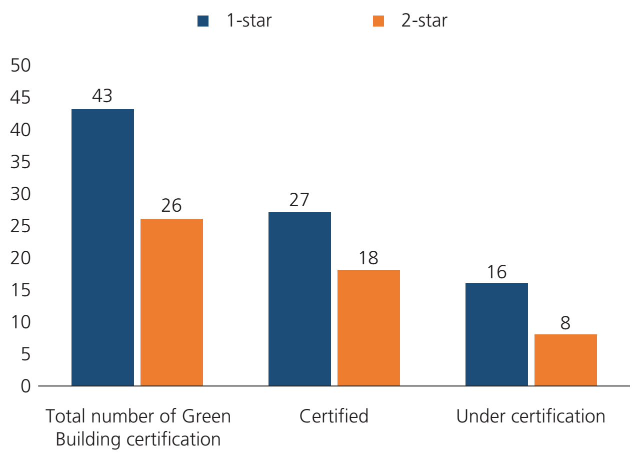
(4) Different types of construction refuse have been recycled and processed, and those unrecyclable materials are commissioned to professional collectors for further treatment. Currently, the volume of waste generated by our projects is below the industry average, while the recycling rate of construction refuse is over 70%.

Types of waste	Method of waste treatment
Mud	Used in road building, as fills for pile foundation and as foundation
Wood	Wood without apparent damage is used directly in building and construction; wood components with severe damage are sold as raw materials for recycled wood plates or used in papermaking
Steel, steel bars and other metal materials	Directly recycled and reused or undergo processing
Concrete and bricks	For the production of concrete of the respective strength, mortar, or construction materials such as building blocks, wallboards and floor tiles. Aggregates made from bricks can be used as base course of highway after the addition of solidifying materials

Green building

Instead of solely focusing on property development, the Group aims at creating one-stop service from property design, project construction to property management that engages the participation of stakeholders on the basis of green building, a predominant trend in the industry that incorporates and encourages green living concepts. The Group is in strict compliance with the "Energy Conservation Law of the People's Republic of China" by using construction materials and energy saving equipment as well as integrating environmental elements into every aspect of business operation to produce high quality green products.

Number of Green Buildings of the Group



Showcase developments:

(I) Yunshang Retreat in Chengdu

Yunshang Retreat, located at Qingxia Town, Dayi County, Chengdu, is embraced by exquisite natural scenery with a site area of 11,000 mu. It enjoys a combination of natural resources including mountains, wetland, hot spring, forest and fields and gardens. The project is intended to realise the idea of sustainable development with the integration of three elements, namely, ecology, living and production. The northern district of the project has not been developed but retained its primitive ecology. Meanwhile, aquatic plants have been planted under and over the Maojia Gou in the southern district and recommendations have been sought from professional consultant as to fish breeding and selection, so as to enhance the scenery without causing damage to the ecology.

Improving architectural design

— roofs connected by mortise-and-tenon craftsmanship; floor to ceiling double-glazed windows used in the units

— design of jutting out eaves to block out sunlight in contemplation of controlling heat transmission to achieve the greatest energy efficiency

— fulfilling the sound insulation requirement of the green building standard

Long-term vision to adapt to climate change

— Emphasising the possible impact of climate change in the formulation of sustainable design

— Responding to possible disasters by way of seismic evaluation of valley, geological hazard assessment, flood certification and fire protection evaluation

Constructing a green living space and a low carbon community

— Offering "a household, a courtyard and a field" to customers

— Installing solar panels in residential units

— Employing rain and sewage diversion system under which all sewage is discharged through the municipal sewage pipe networks

— Building rainwater collection facilities underground to collect rainwater and water for agricultural use for reuse in irrigation

(I) Yunshang Retreat in Chengdu (continued)

Cultural hub

— Promoting earth's culture with the integration of distinctive local industries

— Highlighting the interaction between people and the sense of belonging to Yunshang Retreat

— Regular cultural activities in the community centre

Supporting child and elderly care

— Offering sports, cultural and commercial ancillary services and taking into account the perspective of property owners in the long-term development of the resort

— Setting up a dedicated shuttle bus line for residents to commute between the resort and the downtown area

— Providing shuttle bus within the resort area and building a green cycling pathway

— Establishing international kindergarten to offer quality education

— Setting up hospital, traditional Chinese medical institute, elderly centre, elderly university, cinema, sports centre, meditation centre, elderly home, nurse station and herbs plantation base for elderly care planning

— Incorporating elderly care elements in the units, for example, the installation of emergency button in the toilet

Showcase developments:

(II) Top of World in Nanning

Starting from site selection, the Group has given comprehensive consideration to the ecological environment and devised the land use plan with a focus on ecological landscape, laying emphasis on the protection of existing ecological conditions. When developing urban projects, we have made reasonable use of natural resources and renewable resources so as to ensure the sustainability of the buildings and realise our green construction target. The Group has commenced three projects in Nanning, which feature different themes in accordance with their respective strength afforded by natural resources in the surroundings: Fragrant Seasons sits adjacent to the mountain; Top of World abuts the river; and The Core of Center adjoins the lake.

Top of World has been built according to the concept of sponge city. This idea allows the utilisation of rainwater to the greatest extent for various purposes of green living by producing penetration and water storage effect through controlling the flow of rainwater. The construction team has set up green rainwater infrastructure on the ground surface, including low elevation greenbelt, permeable asphalt and bricks, and rainpool, which are different from the traditional grey rainwater infrastructure and are included as part of the central sewage collection system. The rainwater collected will be used for irrigation and also toilet flushing. The planning of sponge city not only contributes to environmental greening and mitigation of urban heat island effect, but also fulfils the national requirements of the construction of municipal ancillary facilities for properties in Wuxiang New District.

(II) Top of World in Nanning (continued)

Project design	—	Taking full account of the structural forms, architectural orientations, space between buildings and proportion of windows to walls in forging a green living environment
	—	Buildings mainly facing southward and northward, which allows longer duration of sunlight and reduces low-angle sunlight from the east and the west
	—	Buildings sequentially arranged from townhouses, mid-rise to high-rise apartment buildings, with ample space in between to ensure unobstructed scenery and good ventilation
Ancillary facilities	—	Perching on the riverside and offering rest areas with natural waterfront scenery
	—	Only a street away from Longgang Central Business District
Construction materials	—	Employing high performance building structural materials such as aerated concrete for the construction of walls that serve heat insulation and energy conservation purposes as well as new grade III steel bars
Energy-saving design	—	Adopting energy efficient lighting technologies as illustrated by the use of large glass windows in place of walls for study rooms to make good use of natural light
	—	Utilising manually controlled lighting in common areas and installing acoustic control lighting system to maximise lighting efficiency
	—	Kitchen wares included in delivered residential units consisting of professional range hoods, stoves and disinfection cabinets, all of which have obtained low energy consumption certification in the China Energy Label
	—	Using solar energy water heating system with solar panels installed on the respective roof of townhouses and high-rise buildings

Environmental Performance

In 2018, carbon emission indirectly generated by electricity consumption at Guangzhou headquarters amounted to approximately 393,000 kg, representing a decrease of approximately 0.9% as compared to 2017.

	Types of emissions	Emissions during the reporting period (kg)		
Exhaust gas	Sulphur oxides	630,930		
	Nitrogen oxides	126,882,976		
	Particulate matter	5		
Scope		**Carbon dioxide equivalent emissions during the reporting period (kg)**		
(I) Direct greenhouse gas ("GHG") Emissions		1,960,854		
(II) Energy Indirect GHG Emissions		827,899		
(III) Other Indirect GHG Emissions		553,487		
GHG emissions in total		3,342,240		
Intensity of GHG (carbon dioxide equivalent (kg)/employee)		20,256		
Types of waste	**Total (in tonne)**	**Intensity (tonne/employee)**		
Hazardous waste	0	0		
Non-hazardous waste	0.09	0.0005		
	Types	**Energy consumption during the reporting period (KWh in '000s)**		
Use of energy	Direct energy	Petrol	927	927
	Indirect energy	Electricity	810	9,573
		Coal	8,763	
	Energy consumption in total	10,500		
	Intensity of energy consumption (KWh in '000s/ employee)	64		
Use of resources	Water consumption in total (cubic metre)	54,450		
	Intensity of water consumption (cubic metre/employee)	330		
	Total packaging material used (in tonne)	0		
	Intensity of packaging material used (tonne/employee)	0		

CARE FOR OUR EMPLOYEES

Employees are invaluable assets to the Group, which is committed to nurturing versatile talents. The Group's recruitment practices are clearly set out in its internal staff manual to prevent child labour or forced labour, as candidates are required to produce their identifications for inspection upon recruitment and induction to ensure all staff employed have reached the statutory age for employment. Any use of false information, false identifications or other people's documents shall be deemed as fraud and the employment of the offender shall be forthwith terminated, regardless of the length of his/her service with the Company. At the same time, the Company reserves all rights in relation to economic and legal liabilities, depending on the consequences and loss resulting from such fraud. During the reporting period, the Group has not identified any non-compliance in relation to child labour and forced labour.

Employment rights

In accordance with pertinent laws and regulations, including but not limited to the "Labour Law of the People's Republic of China" and "Labour Contract Law of the People's Republic of China", the Group adheres to the principles of open recruitment, equality and anti-discrimination in staff recruitment, ensuring no applicants will receive unfair treatment because of their age, nationality, race, gender, marital status, disability or religion.

The Group's Staff Manual has provided a comprehensive administrative framework to facilitate a healthy and comfortable workplace for staff.

The Group provides competitive remuneration packages which are adjusted annually based on market surveys. Promotion opportunities are offered based on employee's ability, experience and level of involvement in the Company's business, while employees may also be granted internal transfers, to the extent reasonable, according to their preference so that they can bring their personal strengths into full play. Employees take part in an annual performance evaluation and those with outstanding performance are favourably considered for salary increment, bonus payout and promotion.

In rigorous implementation of its employment policy, the Group makes payments for five types of insurance and the housing provident fund on behalf of its staff at such time and in such amount as required, and safeguards staff entitlements to statutory holidays. We also offer birthday and festive rewards.

- **Female staff are entitled to maternity leaves with pay, while male staff are entitled to 10 days of paternity leave**
- **A minimum of 3 days of marriage leave**
- **To ensure the work-life balance of staff, a 40-hour work week applies to all office staff, while the working hours of other staff are determined based on actual conditions and job nature**

Development and training

The Group has invested heavily in the training and development of talents. The Group appreciates that, apart from workplace safety, overall personal growth and professional development are also very important for employees. The Group grooms employees who aspire for life-long learning, with a view to training them to become leaders in the future.

The proper conduct of job duties requires sufficient and updated knowledge. The Group provides a wide range of training courses to employees, tailored for staff of different departments and ranks ranging from junior staff to management. During the reporting year, more than 1,000 sessions of staff training were organised. For example, arrangements were made for senior management personnel to enroll in the EMBA courses hosted by Cheung Kong Graduate School of Business or China Europe International Business School ("CEIBS"). Currently, around 20 employees are enrolled in this two-year course which will effectively enhance the management and position know-how of senior management personnel, as well as improve their work efficiency. The Group is committed to investing in staff, as its foundation and future is dependent on each and every employee.

Development and training (continued)

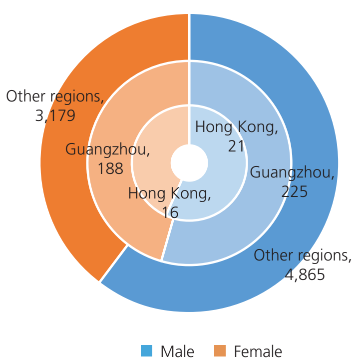
	Customer service department	Graded customer management guide and rationale for visit plans, training in practical abilities in brand marketing and community cultural activities, service etiquette and front-desk reception skills, etc.
	Property management department	Training in standards for inspection of property management service at shopping centres, training in property management service standards, and basic property management theories, etc.
	Engineering staff below supervisor grade	Training sessions relating to intelligent systems, risk control quality inspection and delivery conditions, and power supply and distribution system inspection standards, etc.
	Senior staff	EMBA courses of Cheung Kong Graduate School of Business or CEIBS, project management mentality for managers, system for the implementation of overall equity planning, etc.

Occupational health and safety

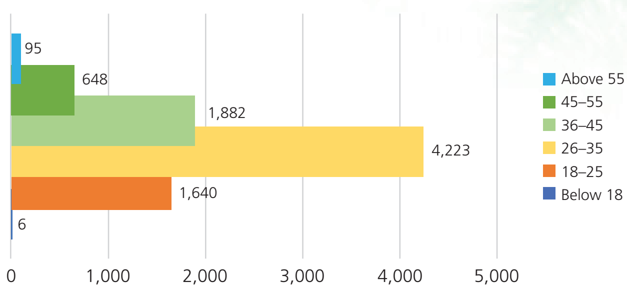
Staff occupational safety and health represents an important concern for the Group, which implements national rules and standards for occupational safety and health in strict accordance with the "Labour Law of the People's Republic of China" and other pertinent laws. The Group arranges annual body check-up for staff and has taken out business accident and critical illness insurance policies for all employees since 2015. To ensure that employees at various locations are working in safe construction sites, the Group is highly concerned with the safety of its construction operations. Rules and regulations, including but not limited to the "Quality and Safety Administrative Measures" have been formulated and quality and safety officers of regional branch companies nationwide have been arranged to participate in quality and safety training on a regular basis to enhance safety awareness of construction workers and safeguard safety and health of site workers.

Information on Group employees

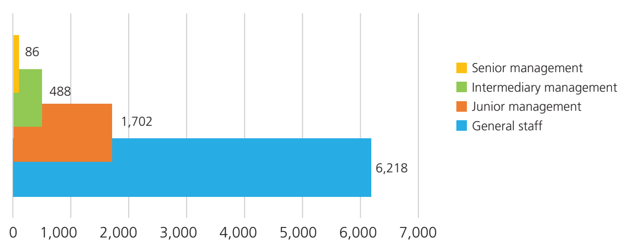
Number of male and female employees of the Group by region



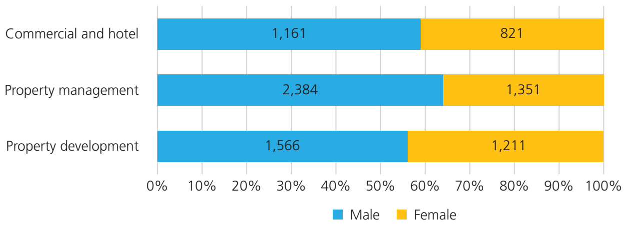
Number of employees of the Group by age group



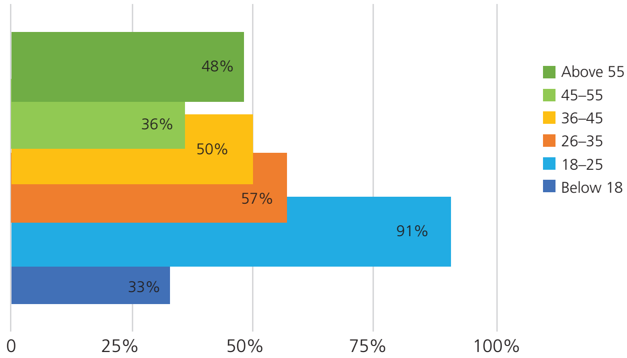
Number of employees of the Group by employment type



Number of male and female employees by department



Staff turnover rate by age group



The Group's staff turnover rate for 2018 for male and female were 66% and 52%, respectively. Analysed by region, the staff turnover rate for the Guangzhou Headquarters and the Hong Kong Branch were 27% and 16%, respectively.

	Rank	Average training hours for male staff (hours)	Percentage of male staff receiving training	Average training hours for female staff (hours)	Percentage of female staff receiving training
Average training hours and percentage of staff receiving training	General staff	17	100%	17	100%
	Junior management	31	97%	31	97%
	Intermediary management	42	96%	43	96%
	Senior management	60	95%	60	95%

Staff benefits

The Group holds every employee in high regard and is committed to fostering a healthy and pleasant workplace to enhance staff unity. In this connection, the Group is willing to address the requests of employees and provide for the benefits they need. Festive activities and birthday parties are held on a regular basis, while outings, forums, sporting events and hobby groups are also organised from time to time. The Group hosted more than 800 staff activities during the reporting year with a total turnout of more than 30,000. The team cooperation and work-life balance of staff have been enhanced as a result.

Type	Details
Social insurance	Five types of insurance premiums and provident fund contributions (pension, medical, unemployment, injury, maternity, housing provident fund) paid on behalf of staff according to statutory rates
Business add-on insurance	Business add-on insurance amounting to RMB360 per year per person for management and RMB180 per year per person for junior staff
Annual body check-up	Body check-up arrangements amounting to RMB400 per year per person for management and RMB200 per year per person for junior staff
Meal allowance	Most regional companies provide a cafeteria service, in the absence of which a meal allowance of RMB200–400 per month or RMB5 per meal is provided
Transportation allowance	RMB400–1200 per month depending on company and staff ranking, or rural allowance equivalent to 10% or 15% of monthly salary for staff working at remote project sites according to the distance between the site and the office
Phone cost allowance	RMB50–300 per month depending on staff ranking
Festive allowance	Festive allowance of RMB700 per year per employee; female staff are further entitled to March 8th allowance of RMB100–200 per person
Other allowances	Birthday award of RMB100 and entertainment fees of RMB600 per year per employee

OPERATIONAL MANAGEMENT OF THE GROUP

Supply-chain management

KWG Group has always aimed to provide quality life to customers. To this end, the cooperation and management of suppliers is especially important. The Group selects its suppliers by way of tender in accordance with the "Bidding Law of the People's Republic of China". Only suppliers who meet our stringent standards can participate in the bidding and supply goods to our Group.

The Group maintains a group-level database for contract work suppliers. Regional branch companies can search for what they need in the master database. As of 31 December 2018, our suppliers' database comprised 36,688 contract work suppliers, providing sufficient choices for meeting various specialised work requirements. Access to the suppliers' database must be processed in compliance with the Group's stipulated procedures.

The Group monitors suppliers in the master database on a regular basis. Suppliers who are found to have involved in the following will be blacklisted and permanently banned.

I) Non-compliant and illegal acts such as bid rigging, fraud and bribery;

II) Grave negligence in connection with important stages of work such as marketing shows, deliveries to owners and title registration, among others, resulting in substantial loss for or adverse impact on the Group;

III) Suppliers whose quality issues have been announced by the government or industry associations or exposed by the media.

In the future, the Group will continue to operate according to the aforementioned system and further introduce solid and quality suppliers, with a view to providing the public with homes that bring ease and comfort.

Process flow for access to the Group suppliers' database

Propaganda and education on integrity

Management

- Taking oath of integrity
- Ongoing amendment and implementation of rules and regulations on integrity
- Rejection of dishonest staff and suppliers

All staff

- Receiving training on Regulations on Integrity
- Signing of the "Integrity Responsibility Statement"
- An "Agreement on Integrity in Cooperation" must be appended to all business contracts with third parties

Anti-corruption

The Group eliminates dishonest acts such as bribery, corruption and extortion and adopts a zero tolerance stance against any corruptive practices in economic activities. In compliance with the "Prevention of Bribery Ordinance" (Laws of Hong Kong Chapter 201) and the "Anti-corruption Law of the People's Republic of China", the Group places a strong emphasis on education and development in relation to the culture of integrity. A risk control department has been established with a complete and effective internal control management system, complemented by an audit examination column on the corporate Intranet. The Group has joined the Enterprise Anti-fraud Alliance and the Trust and Integrity Enterprise Alliance to contribute to the concerted effort against corruption and fraud.

Anti-corruption (continued)

Reporting procedures

1 Reporting via:
— Designated email
— Phone
— WeChat account

2 Opening investigation into credible reported cases

3 Resolute stance in handing over cases of alleged illegal acts to judiciary authorities

Product responsibility

To protect product quality, KWG Group has established a comprehensive regime for the supervision of project work quality. Work quality supervision is conducted at quality supervision checkpoints in accordance with the "Contents of Supervisory Briefing relating to Construction Work Quality" in respect of all projects. A quality authentication process is also being carried out prior to delivery to owners. In addition, the Group has also established a comprehensive system for the management of maintenance under warranty, with a view to enhancing the efficiency and quality of maintenance work by standardising the process for handling customers' requests for maintenance.

KWG Group believes that protecting the privacy of customer information is crucial to the building of trusted long-term relationships with customers. Customers' interests represent a priority for the Group in all aspects, and the Group is committed to providing comprehensive privacy protection in strict compliance with the laws. The Group has formulated the "Basic Requirements for the Administration of Confidentiality for Documents and Files" which provides for different levels of confidentiality and corresponding measures. We also require every employee to receive confidentiality education and training on a regular basis to ensure stronger awareness for confidentiality for staff at all levels.

"Basic Requirements for the Administration of Confidentiality for Documents and Files"

- Ensuring centralised administration of all owners' information by the respective project service centres
- Access to the information available to relevant information managers only

The Group holds the protection of intellectual properties in high regard. We have formulated and implemented regulations and processes for the administration of intellectual property rights while using intellectual properties of third parties such as technologies, software, literature and images. The Group employs properly licensed programmes and software in all operations and respects the intellectual property rights of all parties. Moreover, as the Group typically adopts unique building designs, the proper handling of intellectual property rights is conducive to safeguarding its intangible assets and enhancing its competitiveness.

Work quality supervision is conducted at quality supervision checkpoints in accordance with the "Contents of Supervisory Briefing relating to Construction Work Quality" in respect of all projects.

Joint inspection of building work quality with owners at delivery and accurate recording on-site of any problems identified.

KWG Group understands that accidents might happen after the delivery of the units. Accordingly, measures to address different crises have been designed to minimise or eliminate any negative impact. Such measures include the redesignation of ranks in various departments on a combined basis, as well as centralised dissemination of information and consolidation of resources.

Quality authentication process prior to delivery to owners.

The two parties will sign a "Commodity Housing Quality Assurance" setting out the maintenance items under warranty and the duration of warranty.

Charity and community participation

KWG Group sees contribution to the cause of charity as its unquestionable duty. Over the years, it has persisted in the core philosophy of aiming to "build home with heart and create future with aspiration". On top of business development, the Group is also committed to rewarding and helping the communities where it operates. By supporting and assisting initiatives in education, rural revival and disaster relief and social development, the Group has extended its care to the underprivileged and sponsored social charity campaigns in fulfillment of its corporate citizenship and social responsibility. During the year, the Group donated over RMB20 million in cash and in kind in support of community welfare. Several thousand employees have participated in community welfare events, mainly in relation to education and social harmony.

Community investment

"Walk for Charity; Walk for Health" 5.20 walkathon

20 May: The second nationwide walkathon for property owners

— Organised by Ningjun Property Management, a subsidiary of KWG, the event assembled property owners from nine cities in the country: Guangzhou, Beijing, Shanghai, Chengdu, Suzhou, Hainan, Nanning, Hangzhou and Tianjin.

— Thousands of participants counted their steps during the walk and converted the counts to charity for children through book donations to primary schools.

Beach run for community welfare in Hainan

2 September: All in action in clean-the-beach run

— Subsidiary Hainan Company invited the municipal government and local environmental conservation groups to jointly organise the beach run community welfare event.

— A plea for sustainable development through the fusion of sports and environmental protection.

— Sports lovers were encouraged to clear up the trash along the way in a daily practice of environmental protection.

Supporting for education

Ceremony for donations to Ji'nan University

28 September

— KWG Group donated RMB20 million to Ji'nan University in support of the university's construction and development.

— Driving developments in education in a pragmatic, consistent and in-depth manner.

Defined poverty aid

October: KWG Community Welfare: Rainbow Campaign

— "Exchanging jaded clothing for a colourful world"

— A month-long KWG initiative covering Guangzhou and Foshan, hosted by KWG Club and co-sponsored by OOLA and IFENG.

— A plea was made to KWG property owners to donate their used clothing. Sales proceeds were donated to the "Rainbow Pocket Project" of Maitian Education Foundation to help kids in impoverished remote areas receive education.

— 23 KWG staff participated in the event and award-winning owners were invited to share their experience.

— Owners and their children were invited to join in a live session of clothing DIY to redecorate the jaded clothes, with the purpose of inspiring the young ones to cherish old goods.

A ray of hope shining through the KWG Art Lab

Because of their family financial conditions, children from impoverished remote rural areas rarely have the opportunity to savour new knowledge. Commencing in 2013, the KWG Art Lab campaign has sought to "tell the story of the future through the media of art" by building 100 art labs across the nation using resources contributed by philanthropists far and wide.

November

— Construction of a children book house at the Zhushan Teaching Outpost of Gaotan Primary School, Tangtang Town, Fogang County, Huizhou, Guangdong.

— Donation of teaching supplies, books and bookshelves.

— 37 KWG employees showed the students around and shared their reading experiences with the formation of the Welfare Reading Club.

KWG Art: dream for kids

— Colour paint art classes hosted to teach origami and drawing.

— Kids were encouraged to draw houses they want for their future homes, lending a glimpse to the bright future through the wings of dreams.

Subject areas	Contents	Page number/remarks
A1 General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	44–48
A1.1	The types of emissions and respective emissions data (kg)	49
A1.2	Greenhouse gas emissions in total (kg CO_2e) and intensity (kg CO_2e per employee)	49
A1.3	Total hazardous waste produced (tonne)	49
	Intensity of hazardous waste (tonne per employee)	49
A1.4	Total non-hazardous waste produced (tonne)	49
	Intensity of non-hazardous waste (tonne per employee)	49
A1.5	Description of measures to mitigate emissions and results achieved.	44–49
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	44–49
A2 General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	44–48
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s)	49
	Direct energy consumption	49
	Indirect energy consumption	49
	Intensity of energy consumption (kWh in '000s per employee)	49
A2.2	Total water consumption (cubic metre)	49
	Intensity of water consumption (cubic metre per employee)	49
A2.3	Description of energy use efficiency initiatives and results achieved.	44–49
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	44–45
A2.5	Total packaging material used for finished products (tonne)	49
A3 General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	44–48

Subject areas	Contents	Page number/remarks
A3.1	Description of the significant impact of activities on the environment and natural resources and the actions taken to manage them.	44–48
B1 General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	50–53
B1.1	Total workforce	51–52
	Total workforce by gender, employment type, age group and geographical region.	51–52
B1.2	Employee turnover rate	52
	Employee turnover rate by gender, age group and geographical region.	52
B2 General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	51
B2.1	Number and rate of work-related fatalities	0
B2.2	Lost days due to work injury	2,824
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	51
B3 General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	50–51
B3.1	The percentage of employees trained	52
	The percentage of employees trained by gender and employee category	52
B3.2	The average training hours completed per employee	52
	The average training hours completed per employee by gender and employee category.	52
B4 General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	50

Subject areas	Contents	Page number/remarks
B4.1	Description of measures to review employment practices to avoid child and forced labour.	50
B4.2	Description of steps taken to eliminate such practices when discovered.	50
B5 General disclosure	Policies on managing environmental and social risks of the supply chain.	54
B5.1	Number of suppliers by geographical region	54
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	54
B6 General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	55
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	0%
B6.2	Methods to deal with products and service.	55
B6.3	Description of practices relating to observing and protecting intellectual property rights.	55
B6.4	Description of quality assurance process and recall procedures.	55
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	55
B7 General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	54–55
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	54–55
B8 General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	56–57
B8.1	Focus areas of contribution	56–57
B8.2	Resources used in focus areas	56–57

The directors are pleased to present their report and the audited financial statements for the year ended 31 December 2018.

Principal Activities and Business Review

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages 13 to 26 of the annual report. This discussion forms part of this "Report of the Directors".

Results and Dividends

The Group's profit for the year ended 31 December 2018 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 84 to 198.

The Board of the Company has proposed the payment of a final dividend of RMB31 cents per ordinary share with scrip option for the year ended 31 December 2018. Including interim dividend, full year dividend was equivalent to RMB56 cents per ordinary share.

The proposed final dividend shall be declared in RMB and payable in cash in Hong Kong dollars, if approved by the shareholders at the forthcoming annual meeting, expected to be paid on or around 2 August 2019 to the shareholders on the register of members of the Company on 18 June 2019.

The eligible shareholders will have the right to elect to receive the final dividend wholly or partly in the form of new fully paid shares instead of cash (the "Scrip Dividend Arrangement").

A circular containing details of the Scrip Dividend Arrangement, where available, and an election form (where applicable) are expected to be despatched to the shareholders on or around 28 June 2019. The Scrip Dividend Arrangement is also conditional upon the Stock Exchange's granting the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

Summary Financial Information

A financial summary of the Group is set out on page 200. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 199.

Properties under Development

Details of the properties under development of the Group during the year are set out in note 18 to the financial statements. Further details of the Group's major properties under development are set out on page 199.

Completed Properties Held for Sale

Details of the completed properties held for sale of the Group during the year are set out in note 19 to the financial statements. Further details of the Group's major completed properties held for sale are set out on page 199.

Share Capital, Share Options and Share Awards

Details of movements in the Company's share capital, share options and share awards during the year are set out in notes 29 and 30 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

During the year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 45 and note 31 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

At 31 December 2018, the Company's reserves available for distribution, calculated in accordance with article 146 of its articles of association, amounted to approximately RMB2,399,083,000, of which approximately RMB983,962,000 has been proposed as a final dividend and approximately RMB788,789,000 has been declared as an interim dividend for the year.

Charitable Donations

The charitable donations made by the Group during the year amounted to approximately RMB9,232,000.

Major Customers and Suppliers

For the year ended 31 December 2018, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year.

In the year under review, payments attributable to the Group's largest contractor and five largest contractors amounted to approximately 9.9% and 25.4% respectively, of the total payments under construction contracts for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 9.3% and 21.7% respectively, of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest contractors and suppliers.

Directors

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

Executive Directors:

Mr. Kong Jianmin *(Chairman)*
Mr. Kong Jiantao *(Chief Executive Officer)*
Mr. Kong Jiannan
Mr. Tsui Kam Tim
Mr. Cai Fengjia (appointed on 3 September 2018)
Mr. Li Jianming (resigned on 3 September 2018)

Independent Non-executive Directors:

Mr. Lee Ka Sze, Carmelo, JP
Mr. Tam Chun Fai
Mr. Li Binhai

In accordance with Articles 86(3), 87(1) and 87(2) of the Company's articles of association, Messrs. Kong Jianmin, Kong Jiantao and Lee Ka Sze, Carmelo, JP will retire from office as executive director(s) or independent non-executive director of the Company by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive directors are appointed for a period of three years.

The Company has received annual confirmations of independence from Messrs. Lee Ka Sze, Carmelo, JP, Tam Chun Fai and Li Binhai, and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographical Details

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 28 to 30 of the annual report.

Changes in Information of Directors

Mr. Lee Ka Sze, Carmelo JP, independent non-executive director of the Company, has been appointed a member of InnoHK Steering Committee for a period of two years from 4 February 2019 to 3 February 2021. He was also appointed chairman of the Appeal Tribunal Panel (Buildings) (Section 45 of the Buildings Ordinance, Chapter 123 of the Laws of Hong Kong) for a period of three years from 1 December 2018 to 30 November 2021. Save as disclosed above, none of the Directors had a change in any of the information required to be disclosed pursuant to the paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Directors' Service Contracts

Each of the executive directors has a service contract with the Company for a term of three years and each of these service contracts is subject to termination by either party giving not less than three months' written notice.

Each of the independent non-executive directors has entered into a letter of appointment with the Company for a term of three years and is subject to termination by either party giving not less than three months' written notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The directors' emoluments are subject to the recommendations of the remuneration committee and the Board's approval. The emoluments are determined by the Board with reference to directors' duties, responsibilities and performances and the results of the Group.

Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares

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

Long positions in ordinary shares of the Company:

Name of Director	Long position/ Short position	Nature of interests	Number of shares held (Note 1)	Approximate percentage of the issued share capital (Note 9)
Kong Jianmin (Notes 3 and 6)	Long position	Interest of controlled corporations	1,592,317,652	50.17%
		Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	399,053,500	12.57%
Kong Jiantao (Notes 4 and 6)	Long position	Interest of controlled corporations	256,804,687	8.09%
		Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	1,443,385,000	45.47%
Kong Jiannan (Notes 5 and 6)	Long position	Interest of controlled corporations	144,338,500	4.55%
		Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	1,553,761,500	48.95%
Tsui Kam Tim (Note 7)	Long position	Beneficial owner	298,500	0.009%
Cai Fengjia (Note 8)	Long position	Beneficial owner	277,500	0.009%
	Long position	Interest of spouse	112,000	0.004%
Tam Chun Fai	Long position	Beneficial owner	30,000	0.001%
Lee Ka Sze, Carmelo	Long position	Beneficial owner	30,000	0.001%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. As at 31 December 2018, the number of shares in issue was 3,174,071,756 shares.

3. Mr. Kong Jianmin is deemed to be interested in a total of 1,991,371,152 shares of the Company including (i) 1,299,046,500 shares held by Plus Earn Consultants Limited ("Plus Earn") which is wholly-owned by Mr. Kong Jianmin; (ii) 293,271,152 shares held by Hero Fine Group Limited ("Hero Fine") which is wholly-owned by Mr. Kong Jianmin; and (iii) 254,715,000 shares held by Right Rich Consultants Limited ("Right Rich") and 144,338,500 shares held by Peace Kind Investments Limited ("Peace Kind") pursuant to the Shareholders' Agreement (defined below). Mr. Kong Jianmin is the sole director of Plus Earn and Hero Fine.

4. Mr. Kong Jiantao is deemed to be interested in a total of 1,700,189,687 shares of the Company including (i) 254,715,000 shares held by Right Rich which is wholly-owned by Mr. Kong Jiantao; (ii) 1,109,587 shares held by Excel Wave Investments Limited ("Excel Wave") which is wholly-owned by Mr. Kong Jiantao; (iii) 980,100 shares held by Wealth Express Investments Limited ("Wealth Express") which is wholly-owned by Mr. Kong Jiantao and (iv) 1,299,046,500 shares held by Plus Earn and 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement (defined below). Mr. Kong Jiantao is the sole director of Right Rich, Excel Wave and Wealth Express.

5. Mr. Kong Jiannan is deemed to be interested in a total of 1,698,100,000 share of the Company including (i) 144,338,500 shares held by Peace Kind which is wholly-owned by Mr. Kong Jiannan; and (ii) 1,299,046,500 shares held by Plus Earn and 254,715,000 shares held by Right Rich pursuant to the Shareholders' Agreement (defined below). Mr. Kong Jiannan is the sole director of Peace Kind.

6. On 30 December 2018, Mr. Kong Jianmin, Mr. Kong Jiantao, Mr. Kong Jiannan, Plus Earn, Right Rich and Peace Kind entered into an equity reorganization agreement (the "Equity Reorganization Agreement"), pursuant to which (i) Plus Earn agreed to transfer 179,715,000 shares of the Company to Right Rich and 144,338,500 shares of the Company to Peace Kind; (ii) Mr. Kong Jiantao agreed to transfer 15% equity interest in Plus Earn to Mr. Kong Jianmin and Mr. Kong Jiannan agreed to transfer 8.5% equity interest in Plus Earn to Mr. Kong Jianmin and (iii) Mr. Kong Jianmin agreed to transfer 76.5% equity interest in Right Rich to Mr. Kong Jiantao and Mr. Kong Jiannan agreed to transfer 8.5% equity interest in Right Rich to Mr. Kong Jiantao (the "Equity Reorganization"). The Equity Reorganization was completed on 30 December 2018. Upon completion of the Equity Reorganization, (i) Plus Earn is wholly-owned by Mr. Kong Jianmin and directly holds 1,299,046,500 shares of the Company; (ii) Right Rich is wholly-owned by Mr. Kong Jiantao and directly holds 254,715,000 shares of the Company; and (iii) Peace Kind is wholly-owned by Mr. Kong Jiannan and directly holds 144,338,500 shares of the Company.

   On 30 December 2018, Plus Earn, Right Rich and Peace Kind entered into a shareholders' agreement (the "Shareholders' Agreement") to regulate their dealings in the shares of the Company. As such, each party to the Shareholders' Agreement was deemed to have interest in the shares and/or underlying shares held by the other parties pursuant to the Shareholders' Agreement under Section 317(1)(a) of the SFO.

7. 298,500 awarded shares were granted by the Company to Mr. Tsui Kam Tim pursuant to the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on 19 January 2019; (ii) one-third shall be vested on 19 January 2020; and (iii) the remaining one-third shall be vested on 19 January 2021, or an earlier date as approved by the Board.

8. 277,500 awarded shares were granted by the Company to Mr. Cai Fengjia pursuant to the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on 19 January 2019; (ii) one-third shall be vested on 19 January 2020; and (iii) the remaining one-third shall be vested on 19 January 2021, or an earlier date as approved by the Board.

Long positions in shares and underlying shares of associated corporations:

Name of Director	Associated Corporations	Number of shares held in associated corporations	Percentage of shareholding in the associated corporations
Kong Jianmin	Plus Earn	1,000	100.00%

Save as disclosed above or under the section headed "Share Option Scheme" on page 69, as at 31 December 2018, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Shareholders Disclosable under the SFO

So far as is known to any directors or chief executive of the Company, as at 31 December 2018, other than the interests and short positions of the directors or the chief executive of the Company as disclosed in the section "Interests and Short Positions of the Directors and the Chief Executive in Shares and Underlying Shares" above and the section "Share Option Scheme" below, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Interests and Short Positions of Substantial Shareholder(s) in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

Name	Capacity	Number of shares held (Note 1)	Percentage of issued share capital (Note 2)
Plus Earn (Note 3)	Beneficial owner	1,299,046,500	40.93%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	399,053,500	12.57%
Hero Fine (Note 4)	Beneficial owner	293,271,152	9.24%
Right Rich (Note 5)	Beneficial owner	254,715,000	8.02%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	1,443,385,000	45.47%
Peace Kind (Note 6)	Beneficial owner	144,338,500	4.55%
	Interests of other parties to an agreement required to be disclosed under s.317(1)(a) of the SFO	1,553,761,500	48.95%

Notes:

1. Share(s) of HK$0.10 each in the capital of the Company.

2. As at 31 December 2018, the number of shares in issue was 3,174,071,756 shares.

3. Plus Earn is legally and beneficially owned as to 100% by Mr. Kong Jianmin. For the purpose of the SFO, Plus Earn is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 1,299,046,500 shares directly held by it; (ii) 254,715,000 shares held by Right Rich and (iii) 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement.

4. Hero Fine is legally and beneficially owned as to 100% by Mr. Kong Jianmin.

5. Right Rich is legally and beneficially owned as to 100% by Mr. Kong Jiantao. For the purpose of the SFO, Right Rich is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 254,715,000 shares directly held by it and (ii) 1,299,046,500 shares held by Plus Earn and 144,338,500 shares held by Peace Kind pursuant to the Shareholders' Agreement.

6. Peace Kind is legally and beneficially owned as to 100% by Mr. Kong Jiannan. For the purpose of the SFO, Peace Kind is interested and deemed to be interested in a total of 1,698,100,000 shares of the Company including (i) 144,338,500 shares directly held by it and (ii) 1,299,046,500 shares held by Plus Earn and 254,715,000 shares held by Right Rich pursuant to the Shareholders' Agreement.

Save as disclosed above, as at 31 December 2018, there was no other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

Pursuant to the shareholder's resolutions of the Company passed on 9 February 2018, the Company has adopted a new share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants (the "Eligible Participants") who will contribute and had contributed to the success of the Group's operations.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme:

1. *Purpose*

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) 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 optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. *Participants of the Share Option Scheme*

The Board may, at its discretion, offer to grant an option to the Eligible Participants to subscribe for such number of new Shares as the Board may determine at an exercise price as the Board may determine.

An "Eligible Participant" means:

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

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

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

3. *Total number of shares available for issue under the Share Option Scheme*

The maximum number of Shares that may be issued upon the exercise of the Options that may be granted under the Share Option Scheme is 315,515,505 Shares, being 10% of the total number of issued Shares as at the date of the adoption of the Share Option Scheme, and 9.94% as at the date of this annual report.

4. *Maximum entitlement of each participant under the Share Option Scheme*

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 and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting.

5. The period within which the shares must be taken up under an option

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 10 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 10 years after it has been granted. No option may be granted more than 10 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 10 years from the date of its adoption.

6. The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:

Upon acceptance of the Option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant before the prescribed acceptance date (being a date not later than 30 days after the date of the offer). 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.

8. Basis of determining the exercise price

Subject to adjustments made, 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 must be at least 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.

9. *Remaining life of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years, commencing from 13 February 2018.

A summary of the principal terms and conditions of the Share Option Scheme is set out in the Appendix to the circular of the Company dated 24 January 2018.

As at 31 December 2018, the details and changes of the Share Option Scheme are as follows:

Date of grant (Note 1)	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK$)	Closing price before the date of grant (HK$)	Number of options granted	Outstanding options as at 1 January 2018	Accumulated exercised number from the date of grant to 31 December 2018	Accumulated cancelled number from the date of grant to 31 December 2018	Accumulated lapsed number from the date of grant to 31 December 2018	Outstanding options as at 31 December 2018	Number exercised for the year ended 31 December 2018	Weighted average closing price before the exercise date for the year ended 31 December 2018 (HK$)
9 February 2018	9 February 2019	One-third	8 February 2022	12.024	10.86	1,719,000	–	–	(1,719,000)	–	–	–	–
	9 February 2020	One-third											
	9 February 2021	One-third											
13 February 2018	13 February 2019	One-third	12 February 2022	11.120	10.70	1,719,000	–	–	–	(150,000)	1,569,000	–	–
	13 February 2020	One-third											
	13 February 2021	One-third											
					Total	**3,438,000** (Note 2)	**–**	**–**	**(1,719,000)**	**(150,000)**	**1,569,000**	**–**	**–**

Notes:

1. Please refer to the announcements of the Company dated 9 February 2018 and 13 February 2018 for further details of the grant.

2. During the year ended 31 December 2018, all of the options were granted to certain employees of the Group. None of the grantees is a director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the Listing Rules).

Valuation of Share Options

The Company has been using the binomial option pricing model (the "Model") to value the share options granted. The fair value of the share options determined at the date of grant using the Model was approximately RMB3,282,000. The fair value of options was estimated on the date of grant using the following assumptions:

Dividend Yield	7.18%
Expected Volatility	43.35%
Risk-free Interest Rate	0.841%
Expected Life of Share Options (years)	4 years
Weighted Average Share Price	HK$11.12

For the year ended 31 December 2018, the Group has recognised approximately RMB1,438,000 in share-based payment expenses in the statement of profit or loss (2017: nil).

Share Award Scheme

The Share Award Scheme was adopted by the Board on 19 January 2018 (the "Share Award Scheme") in order to recognize and motivate the contributions by certain employees of the Company and/or member of the Group (the "Eligible Participant") and to give incentives thereto in order to retain them for the continual operation and development of the Group; to attract suitable personnel for further development of the Group; and to provide certain employees with a direct economic interest in attaining a long-term relationship between the Group and certain employees. Subject to the rules of the Share Award Scheme (the "Scheme Rules"), the Board may, from time to time, at its absolute discretion select any Eligible Participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "Selected Participant"), and determine the number of shares to be granted to the Selected Participant.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of adoption. Pursuant to the Share Award Scheme, the trustee, Computershare Hong Kong Trustees Limited and any additional or replacement trustee, shall purchase from the open market or subscribe for the relevant number of shares awarded and shall hold such shares on trust for the Selected Participants until they are vested in the relevant Selected Participant in accordance with the provisions of the Share Award Scheme. The Board, through its authorized representative(s), shall cause to pay to the trustee the subscription or purchase price for the shares and the related expenses from the Company's resources.

The Board shall not make any further award of awarded shares which will result in the total number of Shares granted under the Share Award Scheme exceeding 5% of the total number of issued Shares of the Company from the date of adoption. Details of the Scheme Rules are set out in the announcement of the Company dated 19 January 2018.

On 19 January 2018, the Board resolved to grant an aggregate of 4,393,500 awarded shares to 28 Eligible Participants and on 18 October 2018, the Board resolved to grant 192,000 awarded shares (together, the "Awarded Shares") to an Eligible Participant pursuant to the Scheme Rules. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 19 January 2019; (ii) one-third shall be vested on the second anniversary of the date of grant, i.e. 19 January 2020; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 19 January 2021, or an earlier date as approved by the Board. The vesting of the awarded shares is subject to the conditions as set out in the Share Award Scheme and the fulfillment of such conditions as specified by the Board. Please refer to the announcements of the Company dated 19 January 2018, 21 September 2018 and 18 October 2018 for the details of the grant.

A summary of the Awarded Shares granted to Eligible Participants is set forth below:

Name of awardees	Date of grant	Vesting date	Percentage of vesting	Number of Awarded Shares Granted during the year	Vested during the year	Lapsed during the year	Other changes during the year	As at 31 December 2018
Mr. Li Jianming *(executive Director)*	19 January 2018	19 January 2019	One-third	213,000	–	(213,000)	–	–
		19 January 2020	One-third					
		19 January 2021	One-third					
Mr. Tsui Kam Tim *(executive Director)*	19 January 2018	19 January 2019	One-third	298,500	–	–	–	298,500
		19 January 2020	One-third					
		19 January 2021	One-third					
Mr. Cai Fengjia *(executive Director)*	19 January 2018	19 January 2019	One-third	277,500	–	–	–	277,500 (Note 1)
		19 January 2020	One-third					
		19 January 2021	One-third					
Directors of certain subsidiaries of the Company	19 January 2018	19 January 2019	One-third	1,543,500	–	–	(277,500) (Note 1)	1,852,500
		19 January 2020	One-third				586,500 (Note 2)	
		19 January 2021	One-third					
Eligible Participants who are not connected with the Company or connected persons of the Company	19 January 2018	19 January 2019	One-third	2,338,500	–	(112,500)	(586,500) (Note 2)	1,639,500
		19 January 2020	One-third					
		19 January 2021	One-third					
	18 October 2018	19 January 2019	One-third	192,000	–	–	–	192,000
		19 January 2020	One-third					
		19 January 2021	One-third					
			Total	**4,863,000**	**–**	**(325,500)**	**(277,500)**	**4,260,000**

Notes:

1. Mr. Cai Fengjia was appointed as executive Director on 3 September 2018 and his 277,500 awarded shares has been re-categorised from "Directors of certain subsidiaries of the Company" to "Mr. Cai Fengjia (executive Director)".

2. Since the date of grant, five of the eligible participants who were not connected with the Company or connected persons of the Company were subsequently appointed as directors of certain subsidiaries of the Company and their 586,500 awarded shares in aggregate were re-categorised from "Eligible Participants who are not connected with the Company or connected persons of the Company" to "Directors of certain subsidiaries of the Company".

Further details of the Share Award Scheme is set out in note 30 of this annual report.

Connected Transactions and Continuing Connected Transactions

Connected Transactions

Connected transaction involving issue of new shares to connected persons under the Share Award Scheme pursuant to specific mandate

On 21 September 2018, the Board resolved that 2,428,500 awarded shares under the Share Award Scheme granted to certain connected grantees (the "Connected Grantees") shall be satisfied by the allotment and issue of new shares of the Company at par to the trustee of the Share Award Scheme pursuant to a specific mandate, which was approved by independent shareholders at an extraordinary general meeting of the Company held on 9 November 2018.

As the Connected Grantees were Directors and directors of certain subsidiaries of the Company, the Connected Grantees were connected persons of the Company. Therefore, the allotment and issue of the awarded shares to the Connected Grantees under the Share Award Scheme constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Further details were disclosed in the announcement of the Company dated 21 September 2018 and the circular of the Company dated 18 October 2018.

Connected transaction in relation to the sale of a residential apartment in the PRC

On 27 September 2018, Guangzhou Hejing Real Estate Development Limited* (廣州合景房地產開發有限公司) (the "Seller"), a wholly-owned subsidiary of the Company, entered into a property sale and purchase agreement with Mr. Kong Jiantao, an executive Director and the chief executive officer of the Company, and Ms. Zhang Xin, the spouse of Mr. Kong Jiantao (the "Purchasers"), pursuant to which the Seller agreed to sell, and the Purchasers agreed to purchase, the target property (being a residential apartment within a residential property development project in Guangzhou, namely the Cosmos, developed by the Seller) at a consideration of approximately RMB38,116,000.

Mr. Kong Jiantao is an executive Director and the chief executive officer of the Company and the Purchasers are therefore connected persons of the Company under the Listing Rules. Accordingly, the sale contemplated under the above property sale and purchase agreement constituted a connected transaction of the Company as defined under Chapter 14A of the Listing Rules.

Further details were disclosed in the announcement of the Company dated 27 September 2018.

Continuing connected transaction

Continuing connected transaction in relation to lease of properties

On 30 November 2018 and on 6 December 2018, the Group entered into certain property lease and management agreements (the "Property Lease and Management Agreements") with Guangzhou Kai Chuang Business Investments Company Limited* (廣州凱創商務投資有限公司) and its wholly owned subsidiaries (the "Lessees"), pursuant to which the Group agreed to lease properties located at Guangzhou, Shanghai, Shenzhen and Chengdu (the "Properties") to the Lessees at an aggregate effective rental and management fee of approximately RMB2,400,000 per month.

The annual caps for the transactions contemplated under the Property Lease and Management Agreements for the year ended 31 December 2018, and each of the years ending 31 December 2019 and 2020 are set out below:

	For the year ended 31 December 2018 (RMB)	**For the year ending 31 December 2019** (RMB)	**For the year ending 31 December 2020** (RMB)
Annual Cap	186,000	26,802,000	25,126,000

Mr. Kong Jiantao is an executive Director and chief executive officer of the Company. Mr. Kong Jiantao is the ultimate beneficial owner of the Lessees, and therefore the Lessees are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Property Lease and Management Agreements constitutes a continuing connected transaction of the Company.

Further details were disclosed in the announcement of the Company dated 6 December 2018.

In accordance with rule 14A.55 of the Listing Rules, the continuing connected transaction as set out above during the year have been reviewed by the independent non-executive directors of the Company who have confirmed that the transaction has been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has been engaged to report on the above continuing connected transactions of the Company in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules, stating that the auditor has not noticed that any of these continuing connected transactions:

- have not been approved by the Company's board of directors;
- for transactions involving the provision of goods or services by the Group were not in accordance with the pricing policies of the Group in all material aspects;
- were not entered into in accordance with the relevant agreements governing such transactions in all material aspects; and
- have exceeded the annual cap as set by the Company for the year ended 31 December 2018.

Related party transactions

The related party transactions during the year are disclosed in note 40 to the consolidated financial statements, which include the above continuing connected transactions. The Company has complied with the disclosure requirements for the these continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

Contract of Significance

No contracts of significance in relation to the Company's business to which the Company, or its subsidiaries was a party and in which a director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted Indemnity Provision

Pursuant to the Company's articles of association, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duty or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged and maintained appropriate directors' and officers' liability insurance coverage for the Directors during the year.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules during the year under review.

Directors' Interests in a Competing Business

During the year and up to the date of this report, none of the directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Auditor

Ernst & Young retire and a resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

Disclosures Pursuant to Rule 13.18 of the Listing Rules

On 27 January 2017, the Company as borrower, and certain of the subsidiaries of the Company, as original guarantors, entered into a facility agreement (the "Facility Agreement I") with, among others, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, The Bank of East Asia, Limited and Chong Hing Bank Limited as original lenders, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and The Bank of East Asia, Limited, as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited as agent in relation to a transferrable dual currency term loan facility in the amount of HK$1,485,000,000 and US$150,000,000 respectively with a greenshoe option of US$250,000,000 to the Company for a term of 48 months commencing from the date of the Facility Agreement I.

Pursuant to the terms of the Facility Agreement I, the Company has undertaken to procure that Mr. Kong Jianmin, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the Facility Agreement I. Further details of the transaction are disclosed in the announcement of the Company dated 27 January 2017.

On 5 June 2018, the Company, as the borrower, and certain of the subsidiaries of the Company, as the original guarantors, entered into a facility agreement (the "Facility Agreement II") with, among others, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as the original lenders, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as mandated lead arrangers and bookrunners and Standard Chartered Bank (Hong Kong) Limited, as the agent, in relation to a transferrable HKD and USD dual currency term loan facility with a greenshoe option of US$500 million to the Company for a term of 48 months commencing from the date of the Facility Agreement II.

Pursuant to the terms of the Facility Agreement II, among others, the Company has undertaken to procure that Mr. Kong Jianmin, being the controlling shareholder of the Company, at all times: (i) beneficially owns not less than 35% of the entire issued share capital, voting rights and control of the Company; (ii) is the single largest shareholder of the Company; and (iii) is the chairman of the board of directors of the Company. Failure to comply with the above undertakings will constitute an event of default under the Facility Agreement II. Further details of the transaction are disclosed in the announcement of the Company dated 5 June 2018.

ON BEHALF OF THE BOARD

Kong Jianmin
Chairman

Hong Kong
18 April 2019

EY 安永

To the shareholders of KWG Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of KWG Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 84 to 198, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

EY 安永

To the shareholders of KWG Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revaluation of investment properties	
Investment properties of the Group are stated at fair value at the end of each reporting period, which comprise completed investment properties and investment properties under construction. Changes in fair values of investment properties are recorded in profit or loss for the year in which they arise. As at 31 December 2018, the carrying amount of investment properties of the Group was approximately RMB17,490,590,000. The Group's investment properties are revalued individually at the end of each reporting period by independent professional valuer which involves significant estimations and assumptions, including market rent and capitalisation rates, and the fair values of the investment properties are sensitive to these management's estimates and assumptions. Relevant disclosures are included in notes 2.4, 3 and 14 to the consolidated financial statements.	The audit procedures we performed on the revaluation of investment properties, among others, included: • we obtained an understanding of the work of independent professional valuer engaged by the Company, considered the objectivity, independence and expertise of the valuer; • we involved our valuation specialists to evaluate the valuation techniques used and tested the underlying key estimations and assumptions for selected samples through enquiry with management and by reference to the historical information and open market information; and • we assessed the adequacy of disclosures in relation to the revaluation of investment properties, including fair value hierarchy and the valuation techniques used and the key inputs to the valuation of investment properties.

EY 安永

To the shareholders of KWG Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time	
Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2018, revenue of the Group from sales of properties was approximately RMB6,064,248,000 of which approximately RMB2,131,713,000 was recognised over time. For the revenue from sales of properties recognised over time, the Group considers whether it has the enforceable right to payment, which depends on the terms of the sales contracts and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment to assist making these decisions. Significant judgements were involved in determining the Group has the right to payment for performance completed to date or not. In addition, the Group recognises revenue from sales of properties by measuring the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs. Significant judgments and estimations are required in determining the accuracy of the estimated total costs and the contract costs incurred up to the end of reporting period and the progress towards complete satisfaction of the performance obligation at the reporting date.	We performed the following audit procedures on the recognition of revenue from sales of properties over time, among others: (i) we reviewed, on sampling basis, the key terms of the sales contracts to assess the Group's rights to payment; (ii) we obtained and reviewed the legal counsel opinion, in particular, the interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; (iii) we assessed the competence, experience and objectivity of the legal counsel; (iv) we checked, on sampling basis, the revenue from sales of properties recognised over time during the year to the supporting documents including sales contracts and proceeds received; (v) we evaluated management's basis for cost allocation by checking to the underlying contracts and saleable floor areas; (vi) we checked the estimated total contract costs by comparing the estimated total contract costs to the budget approved by management;

EY 安永

To the shareholders of KWG Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of properties over time (continued)	
Given the involvement of significant judgments and estimations, recognition of revenue from sales of properties over time is considered a key audit matter. Relevant disclosures are included in notes 2.2, 2.4, 3 and 5 to the consolidated financial statements.	(vii) we checked the accuracy of the contract costs incurred up to the end of reporting period by tracing, on sampling basis, the costs incurred to the supporting documents; (viii) we checked the mathematical accuracy of the computation of cost allocation and completion progress among properties; and (ix) we assessed the adequacy of disclosures in the notes to the consolidated financial statements in relation to the accounting policies and significant accounting judgements and estimates on recognition of revenue from sales of properties over time.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises 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.

EY 安永

To the shareholders of KWG Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by 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. Our 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.

EY 安永

To the shareholders of KWG Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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

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

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

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

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

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

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

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

EY 安永

To the shareholders of KWG Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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

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

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

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

18 April 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**7,477,471**	11,543,072
Cost of sales		**(5,026,202)**	(7,523,140)
Gross profit		**2,451,269**	4,019,932
Other income and gains, net	5	**2,703,427**	632,914
Selling and marketing expenses		**(532,080)**	(432,506)
Administrative expenses		**(1,313,835)**	(936,814)
Other operating expenses, net		**(1,727)**	(501,770)
Fair value gains on investment properties, net	14	**1,714,657**	1,204,881
Finance costs	7	**(1,070,059)**	(329,505)
Share of profits and losses of:			
Associates		**(279)**	(2,514)
Joint ventures		**1,439,857**	1,900,410
PROFIT BEFORE TAX	6	**5,391,230**	5,555,028
Income tax expenses	10	**(1,236,396)**	(1,950,015)
PROFIT FOR THE YEAR		**4,154,834**	3,605,013
Attributable to:			
Owners of the Company		**4,035,415**	3,620,071
Non-controlling interests		**119,419**	(15,058)
		4,154,834	3,605,013
Earnings per share attributable to owners of the Company	12		
– Basic		**RMB128 cents**	RMB117 cents
– Diluted		**RMB127 cents**	RMB117 cents

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	**4,154,834**	3,605,013
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(792,154)**	1,032,056
Share of exchange differences on translation of joint ventures	**(183,622)**	254,141
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(975,776)**	1,286,197
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(277,393)**	119,849
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(277,393)**	119,849
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(1,253,169)**	1,406,046
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,901,665**	5,011,059
Attributable to:		
Owners of the Company	**2,782,246**	5,026,117
Non-controlling interests	**119,419**	(15,058)
	2,901,665	5,011,059

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,351,448**	4,173,873
Investment properties	14	**17,490,590**	13,718,600
Land use rights	15	**1,109,471**	1,071,688
Interests in associates	16	**3,452,270**	740,629
Interests in joint ventures	17	**34,715,581**	32,091,230
Deferred tax assets	27	**1,642,044**	1,410,904
Total non-current assets		**63,761,404**	53,206,924
CURRENT ASSETS			
Properties under development	18	**47,302,324**	30,908,445
Completed properties held for sale	19	**8,919,658**	6,540,415
Trade receivables	20	**957,665**	535,665
Prepayments, other receivables and other assets	21	**6,406,463**	2,963,398
Due from a joint venture	17	**30,069**	30,065
Tax recoverables	22(a)	**482,606**	292,805
Restricted cash	23	**4,099,329**	1,268,364
Cash and cash equivalents	23	**52,577,643**	39,198,957
Total current assets		**120,775,757**	81,738,114
CURRENT LIABILITIES			
Trade and bills payables	24	**4,077,063**	2,644,265
Other payables and accruals	25	**22,517,471**	8,455,136
Due to joint ventures	17	**39,294,914**	27,929,009
Due to associates	16	**592,204**	–
Interest-bearing bank and other borrowings	26	**17,363,932**	3,740,551
Tax payables	22(b)	**6,851,772**	6,638,355
Total current liabilities		**90,697,356**	49,407,316
NET CURRENT ASSETS		**30,078,401**	32,330,798
TOTAL ASSETS LESS CURRENT LIABILITIES		**93,839,805**	85,537,722
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**60,418,315**	55,904,620
Deferred tax liabilities	27	**1,647,439**	1,385,367
Deferred revenue	28	**2,042**	2,042
Total non-current liabilities		**62,067,796**	57,292,029
NET ASSETS		**31,772,009**	28,245,693

	Note	2018 RMB'000	2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**303,909**	302,355
Treasury shares	29	**(125)**	–
Reserves		**28,474,780**	27,304,929
		28,778,564	27,607,284
Non-controlling interests		**2,993,445**	638,409
TOTAL EQUITY		**31,772,009**	28,245,693

Kong Jianmin
Director

Kong Jiantao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Attributable to owners of the Company									
	Notes	Issued capital RMB'000	Share premium account RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Asset revaluation reserve# RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017		293,590	6,396,885	1,170,994	(1,677,652)	–	(57,546)	17,824,174	23,950,445	58,467	24,008,912
Profit for the year		–	–	–	–	–	–	3,620,071	3,620,071	(15,058)	3,605,013
Other comprehensive income for the year:											
Exchange differences on translation into presentation currency		–	–	–	1,151,905	–	–	–	1,151,905	–	1,151,905
Share of exchange differences on translation of joint ventures		–	–	–	254,141	–	–	–	254,141	–	254,141
Total comprehensive income for the year		–	–	–	1,406,046	–	–	3,620,071	5,026,117	(15,058)	5,011,059
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	20,000	20,000
Capital contribution from a non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	575,000	575,000
Final 2016 dividend declared	29	–	(1,557,439)	–	–	–	–	–	(1,557,439)	–	(1,557,439)
Shares issued as scrip dividend during the year	29	8,765	455,601	–	–	–	–	–	464,366	–	464,366
Transfer to reserves	31	–	–	239,271	–	–	–	(239,271)	–	–	–
Interim 2017 dividend		–	–	–	–	–	–	(305,380)	(305,380)	–	(305,380)
Gain on property revaluation, net of tax		–	–	–	–	29,175	–	–	29,175	–	29,175
At 31 December 2017		302,355	5,295,047	1,410,265	(271,606)	29,175	(57,546)	20,899,594	27,607,284	638,409	28,245,693

	Notes	Issued capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	Asset revaluation reserve# RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company											
At 1 January 2018		302,355	5,295,047	–	1,410,265	(271,606)	–	29,175	(57,546)	20,899,594	27,607,284	638,409	28,245,693
Profit for the year		–	–	–	–	–	–	–	–	4,035,415	4,035,415	119,419	4,154,834
Other comprehensive income for the year:													
Exchange differences on translation into presentation currency		–	–	–	–	(1,069,547)	–	–	–	–	(1,069,547)	–	(1,069,547)
Share of exchange differences on translation of joint ventures		–	–	–	–	(183,622)	–	–	–	–	(183,622)	–	(183,622)
Total comprehensive income for the year		–	–	–	–	(1,253,169)	–	–	–	4,035,415	2,782,246	119,419	2,901,665
Issue of awarded shares	29	125	–	(125)	–	–	–	–	–	–	–	–	–
Share-based compensation expenses		–	–	–	–	–	28,776	–	–	–	28,776	–	28,776
Contribution from the non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	1,545,723	1,545,723
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	1,227,281	1,227,281
Final 2017 dividend declared	29	–	(978,098)	–	–	–	–	–	–	–	(978,098)	–	(978,098)
Interim 2018 dividend	29	–	(788,789)	–	–	–	–	–	–	–	(788,789)	–	(788,789)
Shares issued as scrip dividend during the year	29	1,429	125,716	–	–	–	–	–	–	–	127,145	–	127,145
Transfer to reserves	31	–	–	–	187,639	–	–	–	–	(187,639)	–	–	–
Derecognition of a subsidiary	35(a)	–	–	–	–	–	–	–	–	–	–	(537,387)	(537,387)
At 31 December 2018		303,909	3,653,876*	(125)	1,597,904*	(1,524,775)*	28,776*	29,175*	(57,546)*	24,747,370*	28,778,564	2,993,445	31,772,009

The asset revaluation reserve arose from the gain on property revaluation as a result of the change in use from owner-occupied properties to investment properties.

* These reserve accounts comprise the consolidated reserves of approximately RMB28,474,780,000 (2017: approximately RMB27,304,929,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,391,230**	5,555,028
Adjustments for:			
Finance costs	7	**1,070,059**	329,505
Foreign exchange (gains)/losses		**(683,693)**	398,564
Share of profits and losses of associates		**279**	2,514
Share of profits and losses of joint ventures		**(1,439,857)**	(1,900,410)
Interest income	5	**(482,259)**	(323,340)
Share-based compensation expenses		**28,776**	–
Loss on disposal of investment properties, net		**–**	2,981
Loss/(gain) on disposal of items of property, plant and equipment	6	**112**	(879)
Depreciation	6	**148,916**	141,814
Amortisation of land use rights	6	**8,761**	5,464
Fair value gains on investment properties, net	14	**(1,714,657)**	(1,204,881)
Premium paid on early redemption of senior notes	6	**–**	174,540
Gain on disposal of a subsidiary	5	**(1,167,368)**	–
		1,160,299	3,180,900
Increase in properties under development		**(18,286,770)**	(11,008,559)
(Increase)/decrease in completed properties held for sale		**(2,170,498)**	325,778
Increase in trade receivables		**(421,812)**	(378,890)
Increase in prepayments, other receivables and other assets		**(1,568,675)**	(2,487,681)
Increase in an amount due from a joint venture		**(4)**	(6)
Increase in restricted cash		**(2,830,965)**	(137,704)
Decrease in trade and bills payables		**(313,432)**	(3,109,696)
Increase in other payables and accruals		**15,018,760**	1,091,901
Increase in amounts due to associates		**592,204**	–
Increase in amounts due to joint ventures		**11,365,905**	6,398,252
Cash generated from/(used in) operations		**2,545,012**	(6,125,705)
Interest received		**472,178**	323,340
Interest paid	35(b)	**(4,186,027)**	(2,956,856)
Corporate income tax paid		**(741,244)**	(568,897)
Land appreciation tax paid		**(361,616)**	(141,346)
Net cash flows used in operating activities		**(2,271,697)**	(9,469,464)

	Notes	2018 RMB'000	2017 RMB'000
Net cash flows used in operating activities		**(2,271,697)**	(9,469,464)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(660,076)**	(410,531)
Acquisition of a subsidiary	33	**(84,675)**	(127,633)
Investments in joint ventures		**(545,848)**	(585,970)
Investments in associates		**(1,130,725)**	(25,725)
Disposal of a subsidiary	34	**1,872,881**	–
Derecognition of subsidiaries	35(a)	**(84,567)**	(333,228)
Proceeds from disposal of investment properties		**6,718**	–
Proceeds from disposal of items of property, plant and equipment		**227**	1,852
Advance to associates		**(1,559,630)**	(717,418)
(Advance to)/repayment from joint ventures		**(1,757,112)**	88,942
Dividend received from a joint venture		**–**	66,500
Net cash flows used in investing activities		**(3,942,807)**	(2,043,211)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of domestic corporate bonds		**–**	5,959,420
Proceeds from issue of senior notes		**6,111,495**	9,959,306
Domestic corporate bond repurchase		**(2,025,239)**	–
Early redemption of senior notes		**–**	(4,424,935)
New bank loans		**18,519,875**	23,306,096
Repayment of bank loans		**(3,404,338)**	(8,661,300)
Repayment of finance lease payable		**(35,610)**	–
Contribution from the non-controlling shareholders of subsidiaries		**1,545,723**	575,000
Dividend paid	35(b)	**(1,156,333)**	(1,093,073)
Effect of foreign exchange rate changes, net		**–**	(648,569)
Net cash flows from financing activities		**19,555,573**	24,971,945
NET INCREASE IN CASH AND CASH EQUIVALENTS		**13,341,069**	13,459,270
Cash and cash equivalents at beginning of year		**39,198,957**	25,770,912
Effect of foreign exchange rate changes, net		**37,617**	(31,225)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**52,577,643**	39,198,957
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**18,053,986**	14,488,739
Non-pledged time deposits with original maturity of less than three months when acquired	23	**34,523,657**	24,710,218
Cash and cash equivalents	23	**52,577,643**	39,198,957

1. Corporate and Group Information

The Company was a limited liability company incorporated in the Cayman Islands under the name of KWG Property Holding Limited. Pursuant to a special resolution passed on 16 July 2018, the Company's name was changed from KWG Property Holding Limited to KWG Group Holdings Limited. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was involved in the following principal activities:

- Property development
- Property investment
- Property management
- Hotel operation

In the opinion of the directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which was incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Happy Clear Consultants Limited	British Virgin Islands/ Hong Kong	US$1,000	100	–	Investment holding
Reach Luck Consultants Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Boom Faith International Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Rising Wave Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Good Excel Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Prime Way Enterprises Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Hugeluck Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Guangzhou Hejing Real Estate Development Limited ("Guangzhou Hejing")*#	PRC/Mainland China	US$99,000,000	–	100	Property development
Guangzhou Hejing Meifu Real Estate Development Limited#	PRC/Mainland China	US$12,930,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Hejing Yingfu Real Estate Development Limited#	PRC/Mainland China	RMB35,000,000	–	100	Property development
Guangzhou Xinhengchang Enterprise Development Limited*#	PRC/Mainland China	RMB792,000,000	–	100	Property investment
Guangzhou Zhongtianying Real Estate Development Limited*#	PRC/Mainland China	US$198,000,000	–	100	Property development
Guangzhou Tianjian Real Estate Development Limited ("Guangzhou Tianjian")*#	PRC/Mainland China	RMB1,617,000,000	–	100	Property development
Guangzhou Fuxin Property Management Limited#	PRC/Mainland China	RMB7,000,000	–	100	Property management
Guangzhou Ningjun Property Management Limited*#	PRC/Mainland China	RMB7,000,000	–	100	Property management
Guangzhou Junzhao Property Operation Limited*#	PRC/Mainland China	RMB7,000,000	–	100	Property management
Chengdu Zhongtianying Real Estate Development Limited#	PRC/Mainland China	RMB550,000,000	–	100	Property development
Guangzhou Liangyu Investment Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development
Hainan New World Real Estate Property (HK) Limited*#	PRC/Mainland China	HK$772,000,000	–	100	Property development
Suzhou Hejing Real Estate Development Limited#	PRC/Mainland China	RMB1,290,000,000	–	100	Property development
Guangzhou Conghua Hejing Real Estate Development Limited*#	PRC/Mainland China	US$99,000,000	–	100	Property development
Beijing Hejing Real Estate Development Limited#	PRC/Mainland China	RMB70,000,000	–	100	Property development
Chengdu Zhaojing Real Estate Development Limited*#	PRC/Mainland China	HK$767,000,000	–	100	Property development
Kunshan Baicheng Real Estate Development Limited*#	PRC/Mainland China	US$29,900,000	–	100	Property development
Guangzhou Hejing Chuangzhan Hotel Limited#	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Guangzhou Wanhui Real Estate Development Limited#	PRC/Mainland China	RMB330,000,000	–	100	Property development
Guangzhou Lihe Property Development Limited	PRC/Mainland China	RMB640,000,000	–	100	Property development
Chengdu Kaiyu Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hainan Hejing Real Estate Development Limited#	PRC/Mainland China	RMB300,000,000	–	100	Property development
Shanghai Hejing Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Deyu Real Estate Development Limited ("Shanghai Deyu")#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Shanghai Jinyi Property Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development
Shanghai Hongyu Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Beijing Hong'en Real Estate Development Limited Liability Company#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Shanghai Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Guangzhou Chuangjing Real Estate Development Limited*#	PRC/Mainland China	US$41,500,000	–	100	Property development
Suzhou Junjing Real Estate Development Limited#	PRC/Mainland China	RMB185,000,000	–	100	Property development
Shanghai Langhe Real Estate Development Limited#	PRC/Mainland China	RMB887,000,000	–	100	Property development
Shanghai Jingdong Real Estate Development Limited#	PRC/Mainland China	RMB1,350,000,000	–	100	Property development
Guangzhou Hejing Fengjingyuan Hotel Limited#	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Guangzhou Hejing Lingfengyuan Hotel Management Limited#	PRC/Mainland China	RMB30,000,000	–	100	Hotel operation
Suzhou Shengjing Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	80	Property development
Suzhou Kaiwei Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Guangzhou Weiyu Real Estate Development Limited#	PRC/Mainland China	RMB60,000,000	–	100	Property development
Suzhou Kaifu Real Estate Development Limited#	PRC/Mainland China	RMB170,000,000	–	100	Property development
Guangzhou Hongda Property Limited#	PRC/Mainland China	RMB1,300,000,000	–	100	Property development
Beijing Fuyu Real Estate Development Limited#	PRC/Mainland China	RMB20,000,000	–	100	Property development
Hangzhou Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	100	Property development
Beijing Hongtai Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Beijing Hengcheng Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hangzhou Hejing Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	100	Property development

1. Corporate and Group Information *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hangzhou Hongjun Real Estate Development Limited#	PRC/Mainland China	RMB120,000,000	–	100	Property development
Sichuan Longyuan Property Limited#	PRC/Mainland China	RMB325,016,300	–	55	Property development
Hangzhou Tianjing Real Estate Development Limited#	PRC/Mainland China	RMB160,000,000	–	100	Property development
Suzhou Yujing Real Estate Development Limited#	PRC/Mainland China	RMB100,000,000	–	100	Property development
Hefei Rongze Real Estate Development Limited#	PRC/Mainland China	RMB450,000,000	–	100	Property development
Linhai Jinxuan Real Estate Development Limited#	PRC/Mainland China	RMB850,000,000	–	100	Property development
Suzhou Kaijun Real Estate Development Limited#	PRC/Mainland China	RMB430,000,000	–	100	Property development
Hubei Jinkaida Property Limited ("Hubei Jinkaida")#	PRC/Mainland China	RMB50,000,000	–	60	Property development
Suzhou Dongshanshu Real Estate Development Limited*#	PRC/Mainland China	US$12,000,000	–	100	Property development
Taicang Hongtao Real Estate Development Limited#	PRC/Mainland China	RMB500,000,000	–	100	Property development
Guangxi Kairui Property Limited#	PRC/Mainland China	RMB350,000,000	–	100	Property development
Hangzhou Hongsheng Real Estate Development Limited#	PRC/Mainland China	RMB950,000,000	–	100	Property development
Jiangmen Zhan'gao Property Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Wenzhou Jinxuan Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Hangzhou Jinxuan Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	60	Property development
Qidong Tianhui Real Estate Development Limited#	PRC/Mainland China	RMB500,000,000	–	70	Property development
Longmen Dongjun Huafu Education Industry Development Limited#	PRC/Mainland China	RMB30,000,000	–	60	Property development

1. Corporate and Group Information *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xuzhou Langyu Real Estate Development Limited#^	PRC/Mainland China	RMB40,000,000	–	50	Property development
Liujiang Huateng Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Meishan Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB380,000,000	–	100	Property development
Chongqing Yuekai Real Estate Development Limited#^	PRC/Mainland China	RMB20,000,000	–	50	Property development
Zengcheng Xintang Yufa Plastic Limited#	PRC/Mainland China	RMB5,000,000	–	65	Property development
Linhai Zhaojing Real Estate Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Jiangmen Tianjing Property Development Limited#	PRC/Mainland China	RMB50,000,000	–	100	Property development
Jiashan Xujing Property Development Limited#	PRC/Mainland China	RMB10,000,000	–	100	Property development
Shenzhen Chuangshihe Real Estate Development Limited#	PRC/Mainland China	RMB20,408,164	–	51	Property development
Yangzhou Hejing Songyu Real Estate Development Limited#	PRC/Mainland China	RMB30,000,000	–	100	Property development
Suzhou Kaiyu Real Estate Development Limited#	PRC/Mainland China	RMB400,000,000	–	100	Property development

* These entities are registered as wholly-foreign-owned enterprises under PRC law.

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

^ Xuzhou Langyu Real Estate Development Limited and Chongqing Yuekai Real Estate Development Limited are accounted for as subsidiaries of the Group even though the Group has only a 50% equity interest in them as their significant decisions are decided by the Company.

The statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or any other member firm of the Ernst & Young global network.

During the year, the Group acquired Suzhou Kaiyu Real Estate Development Limited from a third party. Further details of this acquisition are included in notes 33 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the dates that such control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

The Company has set up a trust (the "Trust") for the purpose of purchasing, administering and holding the Company's shares for the share award scheme (the "Share Award Scheme") adopted on 19 January 2018. The Group has the power to govern the financial and operating policies of the Trust and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trust are included in the consolidated statement of financial position and the shares held by the Trust are presented as a deduction in equity as shares held for the share award scheme.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)–Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 15 and amendments to HKAS 40, the adoption of the above new and revised standards has had no significant financial effect on these consolidated financial statements.

HKFRS 15

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was immaterial and no opening balance of retained profits as at 1 January 2018 was adjusted. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

2.2 Changes in Accounting Policies and Disclosures *(continued)*

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
	Notes	**HKFRS 15** **RMB'000**	**Previous HKFRS** **RMB'000**	**Variance** **RMB'000**
Revenue	(i)	**7,477,471**	**5,345,758**	**2,131,713**
Cost of sales	(i)	**(5,026,202)**	**(3,521,565)**	**(1,504,637)**
Gross profit		**2,451,269**	**1,824,193**	**627,076**
Selling and marketing expenses	(i), (iii)	**(532,080)**	**(519,674)**	**(12,406)**
Administrative expenses	(i), (iv)	**(1,313,835)**	**(1,301,436)**	**(12,399)**
Share of profits and losses of associates	(i)	**(279)**	**(23,720)**	**23,441**
Share of profits and losses of joint ventures	(i)	**1,439,857**	**1,193,624**	**246,233**
Profit before tax		**5,391,230**	**4,519,285**	**871,945**
Income tax expenses	(i), (iv)	**(1,236,396)**	**(989,928)**	**(246,468)**
Profit for the year		**4,154,834**	**3,529,357**	**625,477**
Attributable to:				
Owners of the Company		**4,035,415**	**3,492,641**	**542,774**
Non-controlling interests	(iv)	**119,419**	**36,716**	**82,703**
		4,154,834	**3,529,357**	**625,477**
Earnings per share attributable to owners of the Company				
– Basic		**RMB128 cents**	**RMB110 cents**	**RMB18 cents**
– Diluted		**RMB127 cents**	**RMB110 cents**	**RMB17 cents**

2.2 Changes in Accounting Policies and Disclosures *(continued)*

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	
		HKFRS 15	HKFRS	Variance
	Notes	RMB'000	RMB'000	RMB'000
Properties under development	(i)	47,302,324	48,806,961	(1,504,637)
Prepayments, other receivables and other assets	(iii)	6,406,463	6,430,927	(24,464)
Tax recoverables	(iv)	482,606	497,364	(14,758)
Interests in associates	(i)	3,452,270	3,428,830	23,440
Interests in joint ventures	(i)	34,715,581	34,469,347	246,234
Deferred tax assets	(iv)	1,642,044	1,772,814	(130,770)
Total assets		184,537,161	185,942,116	(1,404,955)
Other payables and accruals	(i),(ii)	22,517,471	24,648,843	(2,131,372)
Tax payables	(iv)	6,851,772	6,758,469	93,303
Deferred tax liabilities	(iv)	1,647,439	1,639,802	7,637
Total liabilities		152,765,152	154,795,584	(2,030,432)
Net assets		31,772,009	31,146,532	625,477
Reserves		28,474,780	27,932,006	542,774
Non-controlling interests	(iv)	2,993,445	2,910,742	82,703
Total equity		31,772,009	31,146,532	625,477

2.2 Changes in Accounting Policies and Disclosures *(continued)*

The reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Accounting for revenue from sales of properties

In prior years, the Group accounted for sales of completed properties when the significant risks and rewards of ownership of the properties were transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The adoption of HKFRS 15 has had a significant impact on the timing of revenue recognition from sales of properties for the year ended 31 December 2018.

(ii) Consideration received from customers in advance

Accounting for a significant financing component for sales of properties

In prior years, the Group presented sales proceeds received from customers in connection with the Group's pre-sale of properties as receipts in advance under "Other payables and accruals" in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, for contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sale of completed properties is adjusted for the effects of a financing component, if significant, and the Group recognised contract liabilities for the interest on the sales proceeds received from customers if the financing component is significant. The Group elected to apply the practical expedient and did not recognise the effects of the interest with a significant financing component if the time period is one year or less.

Classification of the consideration received from customers in advance

Reclassifications have been made as contract liabilities for the outstanding balance of sales proceeds from customers.

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is recorded as "contract liabilities" before the relevant sales revenue is recognised.

2.2 Changes in Accounting Policies and Disclosures *(continued)*

(iii) Accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract

Capitalised sales commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and marketing expenses at that time. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018.

(iv) Other adjustments

In addition to the adjustments described above, other items of the primary financial statements such as tax and non-controlling interests were adjusted as necessary.

Amendments to HKAS 40

Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)–Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that, except that HKFRS 16 *Leases* may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group is in the process of assessing the impact of HKFRS 16, and does not expect that the adoption of HKFRS 16 will have a significant impact on its opening balance of retained earnings.

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments in associates and joint ventures *(continued)*

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and OCI of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated OCI, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than assets under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 5%
Leasehold improvements	Over the shorter of the lease term and 20%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Vehicles	7% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Assets under construction represent properties under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, amortised land use rights and capitalised borrowing costs on related borrowed funds during the period of construction. Assets under construction are reclassified to appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 Summary of Significant Accounting Policies *(continued)*

Investment properties *(continued)*

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Land use rights under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Finance Lease

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

In certain cases, the Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, due to joint ventures, due to associates and interest-bearing bank and other borrowings.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 Summary of Significant Accounting Policies *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset or over the benefits received by the Group related to such assets.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

(a) Sale of properties

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition (applicable from 1 January 2018) *(continued)*

Revenue from contracts with customers *(continued)*

(a) Sale of properties (continued)

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

(b) Operation of hotels

Hotel revenue from room rentals, food and beverage sales and other ancillary services is recognised when the services are rendered.

(c) Property management services

Property management service income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Management fee income is recognised when the related management services have been provided.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, which is when the construction work has been completed and the properties have been delivered to the buyer. Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities;

(b) rental income, on a time proportion basis over the lease terms;

(c) hotel revenue from room rentals, food and beverage sales and other ancillary services, when the services are rendered;

(d) property management fee income, when the related management services have been provided;

(e) management fee income, when the related management services have been provided; and

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.4 Summary of Significant Accounting Policies *(continued)*

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalised as properties under development, completed properties held for sale, investment properties, property, plant and equipment and land use rights, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value was determined by an external valuer using the binomial model (the "Model"), further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award, and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payments *(continued)*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 Summary of Significant Accounting Policies *(continued)*

Borrowing costs *(continued)*

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Company's functional currency is the Hong Kong dollar while the presentation currency of these financial statements is RMB. In the opinion of the directors, as the Group's operations are mainly in Mainland China, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and joint ventures not operating in Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities and the Company are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in OCI and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and its overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and its overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

Revenue from sales of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of the sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements, based on legal counsel opinion, to classify sales contracts into those with the right to payment and those without the right.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. Significant Accounting Judgements and Estimates *(continued)*

Judgements *(continued)*

Transfer from properties under development and completed properties held for sale to investment properties and transfer from investment properties to completed properties held for sale

Properties under development and completed properties held for sale are transferred to investment properties when there is a change in use with sufficient evidence. The Group determines whether a change in use has occurred based on assessment of all relevant facts and circumstances, which include but are not limited to: (a) a business plan that reflects the future rental income generated by the property; (b) the resources to hold and manage an investment property; (c) legal permissibility for the change in use; and (d) the commencement of development if the property requires further development for the change in use. Any excess of fair value over the original carrying amount of such properties at the date of transfer was recognised immediately in the consolidated statement of profit or loss. During the year ended 31 December 2018, properties under development and completed properties held for sale with total carrying amounts of approximately RMB1,511,432,000 (2017: RMB912,164,000) and approximately RMB17,148,000 (2017: nil), respectively, were transferred to investment properties due to a change in use, giving rise to a net fair value gain of approximately RMB1,231,521,000 (2017: gain of approximately RMB582,835,000) and RMB80,592,000 (2017: nil), respectively, in the consolidated statement of profit or loss. During the year ended 31 December 2018, investment properties with total carrying amounts of approximately RMB225,893,000 (2017: nil) were transferred to completed properties held for sale due to a change in use.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, management of the Group has reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on management's best estimate assuming future tax consequences through usage of such properties for rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties be subsequently disposed of by the Group, rather than all of the economic benefits embodied in the investment properties are consumed substantially by leasing over time. In the event that the investment properties are disposed of, the Group may be liable to higher tax upon disposal considering the impact of corporate income tax ("CIT") and land appreciation tax ("LAT").

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty

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

Revenue recognition

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for the property unit in the contract. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can affect the Group's revenue recognised.

Revaluation of investment properties

Investment properties including completed investment properties and investment properties under construction are revalued at the end of each reporting period based on the market value provided by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information about market rent and capitalisation rates is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used. The carrying amount of the Group's investment properties at 31 December 2018 was approximately RMB17,490,590,000 (31 December 2017: approximately RMB13,718,600,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Estimation of net realisable value of properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is determined by the Group with reference to the prevailing market conditions and prices existing at the end of each reporting period. As at 31 December 2018, the carrying amounts of properties under development and completed properties held for sale were approximately RMB47,302,324,000 (2017: approximately RMB30,908,445,000) and approximately RMB8,919,658,000 (2017: approximately RMB6,540,415,000), respectively.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

CIT

The Group is subject to CIT in the PRC. As certain matters relating to the CIT have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences will impact on the CIT and tax provision in the period in which the differences realise.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by service type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 21 to the financial statements, respectively.

PRC LAT

The Group is subject to LAT in the PRC. The provision of LAT is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the LAT expenses and the related provision in the period in which the differences realise.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2018 was approximately RMB538,954,000 (2017: approximately RMB245,265,000). The amount of unrecognised tax losses at 31 December 2018 was approximately RMB716,319,000 (31 December 2017: approximately RMB1,204,321,000). Further details are contained in note 27 to the financial statements.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the statement of 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.

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 years.

When developing properties, the Group may divide 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 saleable area of the entire project.

4. Operating Segment Information

For management purposes, the Group is organised into four reportable operating segments as follows:

(a) Property development: Sale of properties

(b) Property investment: Leasing of properties

(c) Hotel operation: Operation of hotels

(d) Property management: Provision of property management services

The property development projects undertaken by the Group during the year were all located in Mainland China and Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverables, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. Operating Segment Information *(continued)*

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

Other than the segment information disclosed below, the directors considered that other segment information is not reportable segment information used by the chief operating decision makers of the Group.

The Group's revenue from external customers is derived solely from its operations in Mainland China. As the Group's major operations and customers are located in Mainland China, no further geographical information is provided.

During 2018, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

During 2017, revenue of approximately RMB2,371,183,000 was derived from sales by the property development segment to a single external customer.

Year ended 31 December 2018

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	6,064,248	379,321	468,181	565,721	7,477,471
Segment results	2,688,619	1,993,513	204,017	116,635	5,002,784
Reconciliation:					
Interest income and unallocated income					2,703,427
Unallocated expenses					(1,244,922)
Finance costs					(1,070,059)
Profit before tax					5,391,230
Income tax expenses					(1,236,396)
Profit for the year					4,154,834
Assets and liabilities:					
Segment assets	99,229,996	17,545,941	5,693,993	118,838	122,588,768
Reconciliation:					
Corporate and other unallocated assets					61,948,393
Total assets					184,537,161
Segment liabilities	114,770,698	48,250	46,515	13,504	114,878,967
Reconciliation:					
Corporate and other unallocated liabilities					37,886,185
Total liabilities					152,765,152
Other segment information:					
Depreciation and amortisation	50,073	2,585	103,329	1,690	157,677
Fair value gains on investment properties, net	–	1,714,657	–	–	1,714,657
Share of profits and losses of:					
Associates	(279)	–	–	–	(279)
Joint ventures	1,439,857	–	–	–	1,439,857
Interests in associates	3,452,270	–	–	–	3,452,270
Interests in joint ventures	34,715,581	–	–	–	34,715,581

4. Operating Segment Information *(continued)*

Year ended 31 December 2017

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	10,432,094	231,166	424,479	455,333	11,543,072
Segment results	4,922,417	1,418,006	147,493	99,223	6,587,139
Reconciliation:					
Interest income and unallocated income					632,914
Unallocated expenses					(1,335,520)
Finance costs					(329,505)
Profit before tax					5,555,028
Income tax expenses					(1,950,015)
Profit for the year					3,605,013
Assets and liabilities:					
Segment assets	72,651,360	13,771,800	5,048,755	103,208	91,575,123
Reconciliation:					
Corporate and other unallocated assets					43,369,915
Total assets					134,945,038
Segment liabilities	74,405,756	37,974	43,433	9,127	74,496,290
Reconciliation:					
Corporate and other unallocated liabilities					32,203,055
Total liabilities					106,699,345
Other segment information:					
Depreciation and amortisation	42,768	5,057	98,106	1,347	147,278
Fair value gains on investment properties, net	–	1,204,881	–	–	1,204,881
Share of profits and losses of:					
Associates	(2,514)	–	–	–	(2,514)
Joint ventures	1,900,410	–	–	–	1,900,410
Interests in associates	740,629	–	–	–	740,629
Interests in joint ventures	32,091,230	–	–	–	32,091,230

5. Revenue, Other Income and Gains, Net

An analysis of revenue, other income and gains, net is as follows:

	Note	2018 RMB'000	2017 RMB'000
Revenue:			
Revenue from contracts with customers			
Sale of properties		**6,064,248**	10,432,094
Hotel operation income		**468,181**	424,479
Property management fee income		**565,721**	455,333
Revenue from other sources			
Gross rental income		**379,321**	231,166
		7,477,471	11,543,072
Other income and gains, net:			
Interest income		**482,259**	323,340
Foreign exchange differences, net		**683,693**	–
Management fee income		**213,520**	196,402
Gain on disposal of a subsidiary	34	**1,167,368**	–
Others		**156,587**	113,172
		2,703,427	632,914

5. Revenue, Other Income and Gains, Net *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	Property development RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Type of revenue recognition:				
Sale of properties	6,064,248	–	–	6,064,248
Provision of services	–	468,181	565,721	1,033,902
Total revenue from contracts with customers	6,064,248	468,181	565,721	7,098,150
Timing of revenue recognition:				
Recognised at a point in time	3,932,535	–	–	3,932,535
Recognised over time	2,131,713	468,181	565,721	3,165,615
Total revenue from contracts with customers	6,064,248	468,181	565,721	7,098,150

	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of properties	438,450

5. Revenue, Other Income and Gains, Net *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and payment in advance is normally required; or over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Hotel operation services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of hotel operation services and customer acceptance.

Property management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	12,088,377
More than one year	2,511,439
	14,599,816

The remaining performance obligations expected to be recognised in more than one year relate to sales of properties that are to be satisfied within 18 months. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2018 RMB'000	2017 RMB'000
Cost of properties sold		**4,419,555**	7,040,436
Less: Government grant released*	25(a)	**(336)**	(48)
		4,419,219	7,040,388
Cost of services provided		**606,983**	482,752
Depreciation	13	**148,916**	141,814
Amortisation of land use rights	15	**31,464**	25,864
Less: Amount capitalised in assets under construction		**(22,703)**	(20,400)
		8,761	5,464
Premium paid on early redemption of senior notes***	35(b)	**–**	174,540
Minimum lease payments under operating leases of land and buildings		**47,236**	48,949
Auditor's remuneration		**4,700**	4,450
Employee benefit expense** (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**1,036,599**	634,317
Share-based compensation expenses		**24,905**	–
Pension scheme contributions (defined benefit plans)		**99,028**	69,129
		1,160,532	703,446
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development		**(255,208)**	(121,520)
		905,324	581,926
Foreign exchange differences, net		**(683,693)**	321,777
Gain on disposal of investment properties, net		**(2,199)**	(2,981)
Loss/(gain) on disposal of items of property, plant and equipment***		**112**	(879)
Direct operating expenses (including repairs and maintenance arising on rent-earning investment properties)		**30,708**	22,538

* There are no unfulfilled conditions or contingencies relating to this government grant.

** Employee benefit expenses are included in "cost of sales", "selling and marketing expenses" and "administrative expenses" in the consolidated statements of profit or loss.

*** These items are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

7. Finance Costs

An analysis of the Group's finance costs is as follows:

	Note	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings	35(b)	**4,424,211**	3,098,567
Less: Interest capitalised		**(3,354,152)**	(2,769,062)
		1,070,059	329,505

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 RMB'000	2017 RMB'000
Fees	**5,982**	5,733
Other emoluments:		
Salaries, allowances and benefits in kind	**17,624**	15,383
Share-based compensation expenses	**3,872**	–
Pension scheme contributions	**249**	236
	21,745	15,619
	27,727	21,352

There were no directors and chief executive being granted share options during the year (2017: Nil).

During the year, certain directors were granted awarded shares, in respect of their services to the Group, under the Share Award Scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such awarded shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. Directors' and Chief Executive's Remuneration *(continued)*

(a) Independent non-executive directors

	Fees RMB'000
2018	
Independent non-executive directors:	
Mr. Lee Ka Sze, Carmelo	**456**
Mr. Tam Chun Fai	**456**
Mr. Li Bin Hai	**456**
	1,368
2017	
Independent non-executive directors:	
Mr. Lee Ka Sze, Carmelo	435
Mr. Tam Chun Fai	435
Mr. Li Bin Hai	435
	1,305

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

8. Directors' and Chief Executive's Remuneration *(continued)*

(b) Executive directors and chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based compensation expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018					
Executive directors:					
Mr. Kong Jianmin	**1,314**	**3,501**	**–**	**57**	**4,872**
Mr. Kong Jiantao (note (i))	**1,314**	**3,539**	**–**	**57**	**4,910**
Mr. Kong Jiannan	**1,314**	**3,501**	**–**	**57**	**4,872**
Mr. Li Jianming (note(ii))	**204**	**2,333**	**–**	**27**	**2,564**
Mr. Tsui Kam Tim	**351**	**4,482**	**2,007**	**31**	**6,871**
Mr. Cai Fengjia (note(iii))	**117**	**268**	**1,865**	**20**	**2,270**
	4,614	**17,624**	**3,872**	**249**	**26,359**
2017					
Executive directors:					
Mr. Kong Jianmin	1,254	3,500	–	52	4,806
Mr. Kong Jiantao (note (i))	1,254	3,500	–	52	4,806
Mr. Kong Jiannan	1,254	3,500	–	52	4,806
Mr. Li Jianming	334	1,040	–	52	1,426
Mr. Tsui Kam Tim	332	3,843	–	28	4,203
	4,428	15,383	–	236	20,047

Notes:

(i) Mr. Kong Jiantao is also the chief executive officer of the Company.

(ii) Resigned on 3 September 2018.

(iii) Appointed on 3 September 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees for the year ended 31 December 2018 included four directors and the chief executive (2017: four) , details of whose remuneration are set out in note 8 above.

Details of the remuneration for the year ended 31 December 2018 of the remaining one highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	3,111	2,638
Share-based compensation expenses	927	–
Pension scheme contributions	90	82
	4,128	2,720

The number of non-director and non-chief executive highest paid employees whose emoluments fell within the following band is as follows:

	Number of employees 2018	2017
RMB2,500,001 to RMB3,000,000	–	1
RMB4,000,001 to RMB4,500,000	1	–

During the year, awarded shares were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such awarded shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures. For the year ended 31 December 2017, no non-director and non-chief executive highest paid employee were granted awarded shares.

There were no non-director and non-chief executive highest paid employees being granted share options during the year (2017: Nil).

10. Income Tax Expenses

	2018 RMB'000	2017 RMB'000
Current – PRC		
CIT	732,340	1,061,634
LAT	322,156	843,254
	1,054,496	1,904,888
Deferred (note 27)	181,900	45,127
Total tax charge for the year	1,236,396	1,950,015

10. Income Tax Expenses *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate, is as follows:

	2018 RMB'000	2017 RMB'000
Profit before tax	**5,391,230**	5,555,028
Tax at the statutory tax rate of 25.0% (2017: 25.0%)	**1,347,808**	1,388,757
Income not subject to tax	**(232,651)**	(77,213)
Expenses not deductible for tax	**557,381**	243,910
Tax losses (utilised from previous periods)/not recognised	**(12,455)**	138,834
Profits and losses attributable to associates	**70**	629
Profits and losses attributable to joint ventures	**(359,964)**	(475,103)
LAT	**322,156**	843,254
Effect of LAT	**(80,539)**	(210,814)
Tax effect of verification collection	**(15,076)**	21,575
Disposal of a subsidiary	**(140,915)**	–
Others	**(149,419)**	76,186
Tax charge at the Group's effective rate of 22.9% (2017: 35.1%)	**1,236,396**	1,950,015

For the year ended 31 December 2018, the share of CIT expenses and LAT expenses attributable to the joint ventures amounting to approximately RMB521,101,000 (2017: approximately RMB641,207,000) and approximately RMB782,374,000 (2017: approximately RMB666,572,000), respectively, is included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

For the year ended 31 December 2018, the share of CIT expenses attributable to the associates amounting to approximately RMB189,000 (2017: approximately RMB838,000), and the share of LAT expenses attributable to the associates amounting to approximately RMB5,792,000 (2017: nil) are included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2018 and 2017.

PRC CIT

PRC CIT in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2018 and 2017, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

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

11. Dividends

	Notes	2018 RMB'000	2017 RMB'000
Proposed final dividend (with scrip option) – RMB31 cents (2017: final dividend (with scrip option) of RMB31 cents) per ordinary share	29, 35(b)	**983,962**	978,098
Interim dividend declared – RMB25 cents (2017: RMB10 cents) per ordinary share	29, 35(b)	**788,789**	305,380
		1,772,751	1,283,478

On 28 August 2018, the Board declared the payment of the 2018 interim dividend of approximately RMB788,789,000 representing RMB25 cents per share, based on the number of shares in issue as at 30 June 2018 (30 June 2017: RMB10 cents per share). The distribution of the interim dividend for the year was made out of the share premium account of the Company.

The proposed final dividend for the year, to be made out of the share premium account of the Company, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,162,393,416 (2017: 3,097,952,915) in issue during the year.

For the year ended 31 December 2018, the calculation of the diluted earnings per share amount was based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation of 3,162,393,416 plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of awarded shares into ordinary shares of 4,049,519. The share options issued during the year ended 31 December 2018 had anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share.

Diluted earnings per share amount for the year ended 31 December 2017 was the same as the basic earnings per share as the Group had no potentially dilutive ordinary shares in issue during that year.

The calculations of basic and diluted earnings per share amounts are based on:

	2018 RMB'000	2017 RMB'000
Earnings		
Profit attributable to owners of the Company	**4,035,415**	3,620,071

12. Earnings Per Share Attributable to Owners of the Company *(continued)*

	Number of shares 2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**3,162,393,416**	3,097,952,915
Effect of dilution – awarded shares	**4,049,519**	–
Weighted average number of ordinary shares during the year used in diluted earnings per share calculation	**3,166,442,935**	3,097,952,915

13. Property, Plant and Equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2018							
At 31 December 2017 and 1 January 2018:							
Cost	2,870,063	45,913	3,188	344,540	114,820	1,610,888	4,989,412
Accumulated depreciation	(430,204)	(27,408)	(3,173)	(274,375)	(80,379)	–	(815,539)
Net carrying amount	2,439,859	18,505	15	70,165	34,441	1,610,888	4,173,873
At 1 January 2018, net of accumulated depreciation	2,439,859	18,505	15	70,165	34,441	1,610,888	4,173,873
Additions	117,742	21,418	–	40,162	501,152	356,453	1,036,927
Disposals	–	–	–	(260)	(79)	–	(339)
Acquisition of a subsidiary (note 33)	289,684	–	–	299	5	–	289,988
Derecognition of subsidiaries (note 35)	–	–	–	(85)	–	–	(85)
Depreciation provided during the year	(89,709)	(7,264)	–	(32,733)	(19,210)	–	(148,916)
At 31 December 2018, net of accumulated depreciation	2,757,576	32,659	15	77,548	516,309	1,967,341	5,351,448
At 31 December 2018:							
Cost	3,277,489	67,331	3,188	383,461	614,751	1,967,341	6,313,561
Accumulated depreciation	(519,913)	(34,672)	(3,173)	(305,913)	(98,442)	–	(962,113)
Net carrying amount	2,757,576	32,659	15	77,548	516,309	1,967,341	5,351,448

13. Property, Plant and Equipment *(continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2017							
At 1 January 2017:							
Cost	2,749,751	39,715	3,188	321,581	114,549	1,340,535	4,569,319
Accumulated depreciation	(345,501)	(21,206)	(3,173)	(235,262)	(73,556)	–	(678,698)
Net carrying amount	2,404,250	18,509	15	86,319	40,993	1,340,535	3,890,621
At 1 January 2017, net of accumulated depreciation	2,404,250	18,509	15	86,319	40,993	1,340,535	3,890,621
Additions	124,657	6,385	–	23,971	5,565	270,353	430,931
Disposals	–	–	–	(151)	(822)	–	(973)
Derecognition of subsidiaries (note 35)	–	(187)	–	(163)	(197)	–	(547)
Surplus on revaluation upon the transfer to investment properties	35,572	–	–	–	–	–	35,572
Transfers (note 14)	(39,917)	–	–	–	–	–	(39,917)
Depreciation provided during the year	(84,703)	(6,202)	–	(39,811)	(11,098)	–	(141,814)
At 31 December 2017, net of accumulated depreciation	2,439,859	18,505	15	70,165	34,441	1,610,888	4,173,873
At 31 December 2017:							
Cost	2,870,063	45,913	3,188	344,540	114,820	1,610,888	4,989,412
Accumulated depreciation	(430,204)	(27,408)	(3,173)	(274,375)	(80,379)	–	(815,539)
Net carrying amount	2,439,859	18,505	15	70,165	34,441	1,610,888	4,173,873

At 31 December 2018, the net carrying amount of the Group's fixed asset held under finance lease, which represents an aircraft leased during 2018, included in vehicles at 31 December 2018 were approximately RMB474,336,000 (2017: nil).

At 31 December 2018, certain items of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB2,796,547,000 (2017: approximately RMB2,314,124,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

14. Investment Properties

	2018 Completed investment properties RMB'000	2018 Investment properties under construction RMB'000	2018 Total RMB'000	2017 Completed investment properties RMB'000	2017 Investment properties under construction RMB'000	2017 Total RMB'000
Carrying amount at 1 January	**10,693,600**	**3,025,000**	**13,718,600**	6,482,100	4,051,000	10,533,100
Transfers from properties under development (note 18)	**–**	**1,511,432**	**1,511,432**	–	912,164	912,164
Transfer from completed properties held for sale (note 19)	**17,148**	**–**	**17,148**	–	–	–
Transfer to completed properties held for sale (note 19)	**(225,893)**	**–**	**(225,893)**	–	–	–
Transfer from property, plant and equipment (note 13)	**–**	**–**	**–**	39,917	–	39,917
Transfer from land use rights (note 15)	**–**	**–**	**–**	3,735	–	3,735
Acquisition of a subsidiary (note 33)	**1,686,000**	**–**	**1,686,000**	–	–	–
Disposal of a subsidiary (note 34)	**(1,397,000)**	**–**	**(1,397,000)**	–	–	–
Additions	**–**	**472,364**	**472,364**	–	1,027,784	1,027,784
Transfers	**1,870,738**	**(1,870,738)**	**–**	3,559,375	(3,559,375)	–
Disposals	**(6,718)**	**–**	**(6,718)**	(2,981)	–	(2,981)
Net gain from a fair value adjustment	**433,713**	**1,280,944**	**1,714,657**	611,454	593,427	1,204,881
Carrying amount at 31 December	**13,071,588**	**4,419,002**	**17,490,590**	10,693,600	3,025,000	13,718,600

The Group's investment properties consist of commercial properties in the PRC. The directors of the Company have determined that the investment properties consist of one class of asset, commercial properties, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2018 based on valuations performed by CBRE Limited, independent professionally qualified valuers, at approximately RMB17,490,590,000 (2017: approximately RMB13,718,600,000). Each year, the Group's property manager and the chief financial officer decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(a) to the financial statements.

At 31 December 2018, certain items of the Group's investment properties with an aggregate carrying amount of approximately RMB6,409,301,000 (2017: approximately RMB6,730,515,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

At 31 December 2018, the Group has not yet obtained the real estate ownership certificates of the Group's investment properties with a net carrying amount of approximately RMB10,607,800,000 (2017: approximately RMB7,271,000,000) from the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 199 of the annual report.

14. Investment Properties *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	**17,490,590**	**17,490,590**

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	13,718,600	13,718,600

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2018	2017
Commercial properties	Investment approach and direct comparison approach	Market rent (per sq.m. and per month)	**30 to 1,005**	40 to 1,040
		Capitalisation rates	**3.75% to 5.75%**	3.25% to 6.25%

The Group has determined that the highest and best use of the commercial properties at the measurement date would be to convert the properties for residential purposes. For strategic reasons, the properties are not being used in this manner.

14. Investment Properties *(continued)*

Fair value hierarchy *(continued)*

All the properties are valued by the investment approach taking into account the rental income derived from the existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised into the value at appropriate rates.

The properties are also valued by the direct comparison approach on the assumption that each property can be sold in their existing state subject to existing tenancies or otherwise by referring to comparable sales transactions as available in the relevant markets. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. The two approaches are reconciled, if applicable.

A significant increase (decrease) in the capitalisation rates in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties.

15. Land Use Rights

	Notes	**2018** **RMB'000**	2017 RMB'000
Carrying amount at 1 January		**1,097,553**	1,067,661
Surplus on revaluation upon the transfer to investment properties		**–**	3,328
Transfer to investment properties	14	**–**	(3,735)
Additions		**–**	56,163
Acquisition of a subsidiary	33	**74,847**	–
Amortisation recognised during the year		**(31,464)**	(25,864)
Carrying amount at 31 December		**1,140,936**	1,097,553
Current portion included in prepayments, other receivables and other assets	21	**(31,465)**	(25,865)
Non-current portion		**1,109,471**	1,071,688

At 31 December 2018, certain items of the Group's land use rights with an aggregate net carrying amount of approximately RMB311,310,000 (2017: approximately RMB145,530,000) were pledged to banks to secure general banking facilities granted to the Group (note 37(a)).

At 31 December 2018, the Group has not yet obtained the land use right certificates of certain lands with an aggregate net carrying amount of approximately RMB27,450,000 (2017: approximately RMB27,450,000) from the relevant government authorities.

16. Interests in Associates

	2018 RMB'000	2017 RMB'000
Share of net assets	**1,154,430**	23,211
Advances to associates	**2,297,840**	717,418
	3,452,270	740,629

As at 31 December 2018, except for an aggregate amounts of approximately RMB368,742,000 (2017: nil), which are interest-bearing at 4.4% to 9.0% (2017: nil) per annum, the advances to associates as shown above are unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances are considered as part of the Group's net investments in the associates.

As at 31 December 2018, the amount due to associates included in the Group's current liabilities of approximately RMB592,204,000 (2017: nil) is unsecured, interest-free and has no fixed term of repayment.

The Group's shareholdings in the associates all comprise equity shares held by the wholly-owned subsidiaries of the Company.

The associates of the Group are all not individually material.

The statutory financial statements of the associates are not audited by Ernst & Young, Hong Kong or any other member firm of the Ernst & Young global network.

17. Interests in Joint Ventures

	2018 RMB'000	2017 RMB'000
Share of net assets	**19,717,517**	19,177,226
Advances to joint ventures	**14,998,064**	12,914,004
	34,715,581	32,091,230

As at 31 December 2018, except for an aggregate amount of approximately RMB2,908,391,000 (2017: approximately RMB6,585,224,000), which bears interest at 6% to 12% (2017: 2.5%–10%) per annum, the advances to joint ventures as shown above are unsecured, interest-free and not repayable within 12 months. In the opinion of the directors, these advances were considered as part of the Group's net investments in the joint ventures.

As at 31 December 2018, an amount due from a joint venture included in the Group's current assets of approximately RMB30,069,000 (2017: approximately RMB30,065,000) is unsecured, interest-free and has no fixed term of repayment.

As at 31 December 2018, the amount due to joint ventures included in the Group's current liabilities of approximately RMB39,294,914,000 (2017: RMB27,929,009,000) is unsecured, interest-free and has no fixed terms of repayment.

17. Interests in Joint Ventures *(continued)*

Particulars of the Group's material joint ventures as at the end of the reporting period are as follows:

2018

Name	Particulars of registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Chengdu Hongyu Real Estate Development Limited ("Chengdu Hongyu")#	US$699,980,000	PRC/ Mainland China	50	50	50	Property development
Hangzhou Jun'an Real Estate Development Limited ("Hangzhou Jun'an")#	RMB50,000,000	PRC/ Mainland China	51	51	51	Property development
Hangzhou Hongxin Business Service Limited ("Hangzhou Hongxin")	RMB2,000,000	PRC/ Mainland China	50	50	50	Investment holding
Unicorn Bay Limited ("Unicorn Bay")	US$50,000	British Virgin Islands/Hong Kong	50	50	50	Investment holding
Great Smart International Limited ("Great Smart")	US$50,000	British Virgin Islands/Hong Kong	50	50	50	Investment holding

2017

Name	Particulars of registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Chengdu Hongyu	US$699,980,000	PRC/ Mainland China	50	50	50	Property development
Hangzhou Jun'an	RMB50,000,000	PRC/ Mainland China	51	51	51	Property development

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those entity, as no English names have been registered.

The above investments are indirectly held through wholly-owned subsidiaries of the Company.

The statutory financial statements of the joint venture are not audited by Ernst & Young, Hong Kong or any other member firm of the Ernst & Young global network.

As at 31 December 2018, Chengdu Hongyu, Hangzhou Jun'an, Hangzhou Hongxin, Unicorn Bay, Great Smart, which are considered the material joint ventures of the Group, engage in property development business in Mainland China and Hong Kong and have been accounted for using the equity method.

As at 31 December 2017, Chengdu Hongyu and Hangzhou Jun'an, which are considered the material joint ventures of the Group, engage in property development business in Mainland China and were accounted for using the equity method.

17. Interests in Joint Ventures *(continued)*

The following table illustrates the summarised financial information in respect of Chengdu Hongyu, Hangzhou Jun'an, Hangzhou Hongxin, Unicorn Bay, and Great Smart adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2018				
	Chengdu Hongyu RMB'000	**Hangzhou Jun'an RMB'000**	**Hangzhou Hongxin RMB'000**	**Unicorn Bay RMB'000**	**Great Smart RMB'000**
Current assets	**9,321,209**	**5,707,190**	**5,856,576**	**15,701,229**	**6,897,604**
Non current assets	**452,103**	**74,123**	**162,989**	**161,688**	**1,066**
Total assets	**9,773,312**	**5,781,313**	**6,019,565**	**15,862,917**	**6,898,670**
Current liabilities	**(2,846,326)**	**(4,366,727)**	**(3,826,479)**	**(552,424)**	**(2,721,065)**
Non current liabilities	**(78,371)**	**–**	**(1,499,000)**	**(6,228,659)**	**–**
Total liabilities	**(2,924,697)**	**(4,366,727)**	**(5,325,479)**	**(6,781,083)**	**(2,721,065)**
Revenue	**2,458,779**	**3,684,277**	**3,416,019**	**–**	**–**
Profit/(loss) for the year	**818,828**	**772,551**	**696,682**	**(7,877)**	**(9,332)**
Other comprehensive loss	**–**	**–**	**–**	**–**	**(336)**
Total comprehensive income/(loss) for the year	**818,828**	**772,551**	**696,682**	**(7,877)**	**(9,668)**

The following table illustrates the summarised financial information in respect of Chengdu Hongyu and Hangzhou Jun'an adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2017	
	Chengdu Hongyu RMB'000	Hangzhou Jun'an RMB'000
Current assets	8,228,030	7,193,194
Non current assets	315,605	55,286
Total assets	8,543,635	7,248,480
Current liabilities	(2,480,600)	(5,407,445)
Non current liabilities	(33,248)	(1,199,000)
Total liabilities	(2,513,848)	(6,606,445)
Revenue	2,222,937	2,378,827
Profit for the year	702,348	601,073
Other comprehensive income	–	–
Total comprehensive income for the year	702,348	601,073

17. Interests in Joint Ventures *(continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2018 RMB'000	2017 RMB'000
Share of the joint ventures' profit for the year	**296,705**	1,242,689
Share of the joint ventures' other comprehensive (loss)/gain	**(183,454)**	254,141
Share of the joint ventures' total comprehensive income	**113,251**	1,496,830
Aggregate carrying amount of the Group's investments in the joint ventures	**23,593,072**	28,748,899

Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

18. Properties Under Development

	2018 RMB'000	2017 RMB'000
Properties under development expected to be recovered:		
Within one year	**26,169,327**	12,966,536
After more than one year	**21,132,997**	17,941,909
	47,302,324	30,908,445

The Group's properties under development were located in Mainland China and are stated at cost.

During the year ended 31 December 2018, certain items of the Group's properties under development with an aggregate carrying value of approximately RMB1,511,432,000 (2017: approximately RMB912,164,000) (note 14) were transferred to investment properties.

As at 31 December 2018, certain items of the Group's properties under development with an aggregate carrying amount of approximately RMB17,689,861,000 (2017: approximately RMB9,563,836,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

Included in the Group's properties under development as at 31 December 2018 were land costs with an aggregate net carrying amount of approximately RMB6,240,169,000 (2017: approximately RMB4,270,369,000) in which the Group has not yet obtained land use right certificates from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of certain relevant land use right grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase consideration.

Further particulars of the Group's major properties under development are set out on page 199 of the annual report.

19. Completed Properties Held for Sale

The Group's completed properties held for sale are located in Mainland China. All completed properties held for sale are stated at the lower of cost and net realisable value.

During the year ended 31 December 2018, the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB17,148,000 (2017: nil) were transferred to investment properties (note 14).

During the year ended 31 December 2018, the Group's investment properties with an aggregate carrying amount of approximately RMB225,893,000 (2017: nil) were transferred to completed properties held for sale (note 14).

As at 31 December 2018, certain items of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB1,029,118,000 (2017: approximately RMB388,488,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 199 of the annual report.

20. Trade Receivables

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and provision of property management services and hotel operation. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of rental, property management and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within 12 months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	**800,653**	246,623
4 to 6 months	**32,356**	24,431
7 to 12 months	**87,605**	247,070
Over 1 year	**37,051**	17,541
	957,665	535,665

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For the sale of properties, rentals under operating leases and provision of property management services and hotel operation businesses of the Group, management has assessed that the expected credit loss rate for trade receivables is minimal as at 31 December 2018. In the opinion of the directors of the Company, the Group's trade receivables relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward looking information.

21. Prepayments, Other Receivables and Other Assets

	Note	2018 RMB'000	2017 RMB'000
Prepayments		**1,826,778**	717,985
Contract assets		**129,461**	–
Prepaid other taxes		**516,365**	52,510
Prepaid land lease payments	15	**31,465**	25,865
Deposits and other receivables		**3,902,394**	2,167,038
		6,406,463	2,963,398

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. Tax Recoverables/Tax Payables

(a) Tax recoverables

	2018 RMB'000	2017 RMB'000
Prepaid CIT	**172,696**	80,084
Prepaid LAT	**309,910**	212,721
	482,606	292,805

(b) Tax payables

	2018 RMB'000	2017 RMB'000
CIT payable	**2,764,972**	2,609,284
LAT payable	**4,086,800**	4,029,071
	6,851,772	6,638,355

23. Cash and Cash Equivalents and Restricted Cash

	Notes	2018 RMB'000	2017 RMB'000
Cash and bank balances		**22,153,315**	15,757,103
Time deposits		**34,523,657**	24,710,218
		56,676,972	40,467,321
Less: Restricted cash	(a)	**(4,099,329)**	(1,268,364)
Cash and cash equivalents		**52,577,643**	39,198,957
Denominated in RMB	(b)	**53,425,699**	39,686,861
Denominated in other currencies		**3,251,273**	780,460
		56,676,972	40,467,321

Notes:

(a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the relevant properties. As at 31 December 2018, such guarantee deposits amounted to approximately RMB4,099,329,000 (2017: approximately RMB1,268,364,000).

(b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made at a maximum of three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 31 December 2018, certain items of the Group's time deposits with an aggregate carrying amount of RMB1,016,680,000 (2017: RMB109,000,000) were pledged to secure general banking facilities granted to the Group (note 37(a)).

24. Trade and Bills Payables

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**4,077,063**	2,644,265

The trade and bills payables are non-interest-bearing and are normally settled on demand.

25. Other Payables and Accruals

	Note	2018 RMB'000	2017 RMB'000
Deposits received and receipts in advance		–	1,619,527
Contract liabilities		**11,943,271**	–
Other payables and accruals		**10,067,536**	6,493,778
Other tax payables		**483,124**	316,929
Deferred income	(a)	**13,308**	13,644
Payroll payables		**10,232**	11,258
		22,517,471	8,455,136

Note:

(a) The deferred income is related to a government grant of RMB203,700,000 received in 2009 for a project in an economic and technological development zone in Guangzhou, Guangdong Province, the PRC. During the year, approximately RMB336,000 (2017: approximately RMB48,000) has been credited to the cost of sales.

Other payables are non-interest-bearing and are normally settled on demand.

26. Interest-bearing Bank and Other Borrowings

	2018 Effective interest rate (%)	2018 Maturity	2018 RMB'000	2017 Effective interest rate (%)	2017 Maturity	2017 RMB'000
Current						
Finance lease payable (c)	**5.61**	**2019**	**64,057**	–	–	–
Bank loans						
– secured	**4.35–11.16**	**2019**	**2,809,608**	4.75–5.23	2018	590,000
– denominated in HK$, secured	**HIBOR+1.0–1.5**	**2019**	**808,119**	HIBOR+1.4	2018	83,591
Current portion of long-term bank loans						
– secured	**4.75–7.80**	**2019**	**890,361**	4.75–5.64	2018	341,898
– unsecured	**4.75–7.00**	**2019**	**312,318**	–	–	–
– denominated in HK$, secured	**HIBOR+1.8–3.51**	**2019**	**255,395**	HIBOR+3.51	2018	131,308
– denominated in US$, secured	**LIBOR+3.51**	**2019**	**126,576**	LIBOR+3.51	2018	110,903
Senior notes						
– denominated in US$, secured (a)	**9.31**	**2019**	**4,067,039**	–	–	–
Domestic corporate bonds – unsecured (b)	**4.01–7.79**	**2019**	**8,030,459**	5.14	2018	2,482,851
			17,363,932			3,740,551
Non-current						
Finance lease payable (c)	**5.61**	**2020–2023**	**254,481**	–	–	–
Bank loans						
– secured	**4.75–10.70**	**2020–2043**	**18,444,235**	4.75–7.15	2019–2032	12,964,538
– unsecured	**4.75–7.00**	**2020–2023**	**1,787,700**	–	–	–
– denominated in HK$, secured	**HIBOR+1.8–3.66**	**2020–2022**	**2,674,025**	HIBOR+3.51	2019–2021	1,342,890
– denominated in US$, secured	**LIBOR+3.51–3.66**	**2020–2022**	**1,674,694**	LIBOR+3.51	2019–2021	1,166,094
Senior notes						
– denominated in US$, secured (a)	**5.45–10.06**	**2020–2024**	**16,434,662**	5.45–9.31	2019–2024	13,734,951
Domestic corporate bonds – unsecured (b)	**4.88–8.25**	**2020–2021**	**19,148,518**	4.01–8.19	2019–2021	26,696,147
			60,418,315			55,904,620
			77,782,247			59,645,171

26. Interest-bearing Bank and Other Borrowings *(continued)*

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**5,202,377**	1,257,700
In the second year	**8,230,792**	1,706,275
In the third to fifth years, inclusive	**9,562,862**	7,661,247
Beyond five years	**6,787,000**	6,106,000
	29,783,031	16,731,222
Senior notes repayable:		
Within one year	**4,067,039**	–
In the second year	**3,721,729**	3,867,785
In the third to fifth years, inclusive	**10,114,569**	7,391,280
Beyond five years	**2,598,364**	2,475,886
	20,501,701	13,734,951
Domestic corporate bonds repayable:		
Within one year	**8,030,459**	2,482,851
In the second year	**8,619,231**	8,017,139
In the third to fifth years, inclusive	**10,529,287**	18,679,008
	27,178,977	29,178,998
Finance lease payable:		
Within one year	**64,057**	–
In the second year	**67,724**	–
In the third to fifth years, inclusive	**186,757**	–
	318,538	–
	77,782,247	59,645,171

Certain items of the Group's borrowings are secured by the Group's assets, details of which are disclosed in note 37.

Except for the above mentioned borrowings denominated in HK$ and US$, all borrowings were denominated in RMB as at the end of the reporting period.

26. Interest-bearing Bank and Other Borrowings *(continued)*

Notes:

(a) On 29 January 2013, the Company issued 8.625% senior notes with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,885,530,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 February 2020. The senior notes carry interest at a rate of 8.625% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 August 2013. For further details on the senior notes, please refer to the related announcements of the Company dated 29 January 2013, 30 January 2013 and 5 February 2013.

On 7 January 2014, the Company issued 8.975% senior notes with an aggregate principal amount of US$600,000,000 (equivalent to approximately RMB3,662,520,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 14 January 2019. The senior notes carry interest at a rate of 8.975% per annum, which is payable semi-annually in arrears on 14 January and 14 July of each year commencing on 14 July 2014. For further details on the senior notes, please refer to the related announcements of the Company dated 7 January 2014, 8 January 2014 and 14 January 2014.

On 29 July 2014, the Company issued 8.25% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,464,600,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 5 August 2019. The senior notes carry interest at a rate of 8.25% per annum, which is payable semi-annually in arrears on 5 February and 5 August of each year commencing on 5 February 2015. For further details on the senior notes, please refer to the related announcements of the Company dated 29 July 2014, 30 July 2014 and 5 August 2014.

On 11 January 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,733,113,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 11 January 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 11 January and 11 July of each year, commencing on 11 July 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 29 December 2016, 30 December 2016 and 11 January 2017.

On 26 February 2017, the Company redeemed the outstanding 8.625% senior notes due 2020 with an aggregate principal amount of US$300,000,000 in full at a redemption price of 104.3125% of the principal amount thereof, plus accrued and unpaid interest. For further details, please refer to the related announcements of the Company dated 27 January 2017 and 2 March 2017.

On 15 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,772,980,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year, commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 9 March 2017, 10 March 2017 and 16 March 2017.

On 29 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$100,000,000 (equivalent to approximately RMB 672,638,000) (to be consolidated and form a single series with the US$400,000,000 6% senior notes due 2022 issued on 15 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017, 29 March 2017.

26. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(a) *(continued)*

On 21 September 2017, the Company issued 5.20% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,646,675,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 21 September 2022. The senior notes carry interest at a rate of 5.20% per annum, which is payable semi-annually in arrears on 21 March and 21 September of each year, commencing on 21 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 18 September 2017, 19 September 2017, and 22 September 2017.

On 18 November 2017, the Company redeemed the outstanding 8.25% senior notes due 2019 with an aggregate principal amount of US$100,000,000 in full at a redemption price of 104.1250% of the principal amount thereof, plus accrued and unpaid interest. For further details, please refer to the related announcements of the Company dated 19 October 2017 and 20 November 2017.

On 10 December 2017, the Company redeemed the outstanding 8.25% senior notes due 2019 with an aggregate principal amount of US$300,000,000 in full at a redemption price of 104.1250% of the principal amount thereof, plus accrued and unpaid interest. For further details, please refer to the related announcements of the Company dated 10 November 2017 and 11 December 2017.

On 10 November 2017, the Company issued 5.875% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,651,280,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 10 November 2024. The senior notes carry interest at a rate of 5.875% per annum, which is payable semi-annually in arrears on 10 May and 10 November of each year commencing on 10 May 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 7 November 2017, 8 November 2017, and 10 November 2017.

On 7 December 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$150,000,000 (equivalent to approximately RMB 992,925,000) (to be consolidated and form a single series with the US$400,000,000 6% senior notes due 2022 issued on 15 March 2017, and the US$100,000,000 6% senior notes due 2022 issued on 29 March 2017). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year commencing on 15 March 2018. For further details on the senior notes, please refer to the related announcements of the Company dated 27 March 2017, 29 March 2017, 1 December 2017 and 7 December 2017.

On 9 August 2018, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,391,095,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 9 August 2021. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 9 February and 9 August of each year commencing on 9 February 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 31 July 2018, 1 August 2018, and 9 August 2018.

On 26 November 2018, the Company issued 9.85% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,778,120,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 26 November 2020. The senior notes carry interest at a rate of 9.85% per annum, which is payable semi-annually in arrears on 26 May and 26 November of each year commencing on 26 May 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 14 November 2018, 15 November 2018, and 26 November 2018.

On 11 December 2018, the Company issued 9.85% senior notes with an aggregate principal amount of US$150,000,000 (equivalent to approximately RMB1,034,940,000) (to be consolidated and form a single series with the US$400,000,000 9.85% senior notes due 2020 issued on 26 November 2018). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 26 November 2020. The senior notes carry interest at a rate of 9.85% per annum, which is payable semi-annually in arrears on 26 May and 26 November of each year commencing on 26 May 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 30 November 2018 and 11 December 2018.

26. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(b)(i) On 17 December 2015, Guangzhou Hejing, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,300,000,000. The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 4.94% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 1 Bonds"), and the second type has a term of seven years and bears a coupon rate at 6.15% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 2 Bonds").

The aggregate principal amount for the Type 1 Bonds issued was RMB2,500,000,000 and the aggregate principal amount for the Type 2 Bonds issued was RMB800,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 15 December 2015 and 16 December 2015.

(b)(ii) On 28 March 2016, Guangzhou Tianjian, a wholly-owned subsidiary of the Group, issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,200,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of six years and bears a coupon rate at 3.90% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 3 Bonds"), and the second type has a term of ten years and bears a coupon rate at 4.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 4 Bonds").

The aggregate principal amount for the Type 3 Bonds issued was RMB600,000,000 and the aggregate principal amount for the Type 4 Bonds issued was RMB1,600,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 24 March 2016 and 28 March 2016.

(b)(iii) On 26 April 2016, Guangzhou Tianjian issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB6,500,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of seven years and bears a coupon rate at 5.60% per annum with the issuer's option to raise the coupon rate after the end of the forth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 5 Bonds"), and the second type has a term of seven years and bears a coupon rate at 5.80% per annum with the issuer's option to raise the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 6 Bonds").

The aggregate principal amount for the Type 5 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 6 Bonds issued was RMB5,500,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 7 April 2016 and 26 April 2016.

(b)(iv) On 21 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB2,000,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.85% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors can exercise a retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 21 July 2016.

26. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(b)(v) On 28 July 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB1,300,000,000.

The domestic corporate bonds have a term of five years and bear a coupon rate at 4.95% per annum with the issuer's option to adjust the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investor can exercise a retractable option.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 28 July 2016.

(b)(vi) On 30 September 2016, the Company issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB8,000,000,000.

The domestic corporate bonds consist of three types, of which the first type has a term of seven years and bears a coupon rate at 5.6% per annum with the issuer's option to adjust the coupon rate after the end of the fourth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 7 Bonds"), the second type has a term of seven years and bears a coupon rate at 5.7% per annum with the issuer's option to adjust the coupon rate after the end of the fourth and a half year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 8 Bonds"), and the third type has a term of seven years and bears a coupon rate at 5.8% per annum with the issuer's option to adjust the coupon rate after the end of the fifth year from the date of issue of the domestic corporate bonds and the investors' option to sell back to the issuer (the "Type 9 Bonds").

The aggregate principal amount for the Type 7 Bonds issued was RMB2,500,000,000; the aggregate amount for Type 8 Bonds issued was RMB2,500,000,000 and the aggregate amount for Type 9 Bonds issued was RMB3,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcement of the Company dated 30 September 2016.

(b)(vii) On 26 September 2017, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,000,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of five years and bears a coupon rate at 7.85% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 10 Bonds"), and the second type has a term of three years and bears a coupon rate at 7.50% per annum with the issuer's option to raise the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 11 Bonds").

The aggregate principal amount for the Type 10 Bonds issued was RMB1,000,000,000 and the aggregate principal amount for the Type 11 Bonds issued was RMB2,000,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 25 September 2017 and 26 September 2017.

(b)(viii) On 16 October 2017, Guangzhou Hejing issued domestic corporate bonds in the PRC with an aggregate principal amount of RMB3,000,000,000.

The domestic corporate bonds consist of two types, of which the first type has a term of five years and bears a coupon rate at 8.00% per annum with the issuer's option to raise the coupon rate after the end of the third year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 12 Bonds"), and the second type has a term of three years and bears a coupon rate at 7.50% per annum with the issuer's option to raise the coupon rate after the end of the second year from the date of issue of the domestic corporate bonds and the investors' option to sell back the domestic corporate bonds to the issuer (the "Type 13 Bonds").

The aggregate principal amount for the Type 12 Bonds issued was RMB840,000,000 and the aggregate principal amount for the Type 13 Bonds issued was RMB2,160,000,000.

For further details of the domestic corporate bonds, please refer to the related announcements of the Company dated 16 October 2017.

(b)(ix) In November 2018, a wholly-owned subsidiary of the Group repurchased the Type 1 Bonds of Guangzhou Hejing with an aggregate principal amount of RMB1,783,026,000.

(b)(x) On 17 December 2018, Guangzhou Hejing redeemed the Type 1 Bonds with an aggregate principal amount of RMB242, 213,000.

26. Interest-bearing Bank and Other Borrowings *(continued)*

Notes: *(continued)*

(c) Finance lease payable

In 2018, the Group entered into an aircraft rental agreement with an independent third party under a financial lease. Under the finance lease arrangement, the Group leased an aircraft for an agreed term of five years commencing from 15 September 2018. The lessor will transfer the ownership of the underlying asset to the Group at the maturity date of the lease or the early repayment date.

At 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Note	Minimum lease payments 2018 RMB'000	Present value of minimum lease payments 2018 RMB'000
Amounts payable:			
Within one year		80,580	64,057
In the second year		80,580	67,724
In the third to fifth years, inclusive		201,450	186,757
Total minimum finance lease payments		362,610	318,538
Future finance charges		(44,072)	
Total net finance lease payable	35(b)	318,538	
Portion classified as current liabilities		(64,057)	
Non-current portion		254,481	

As at 31 December 2017, there is no finance lease arrangement in the Group.

27. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2018						
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000	Recognition of revenue over time RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	76,534	85,553	1,675,507	139,720	–	9,725	1,987,039
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	7,647	(14,573)	427,414	–	153,669	–	574,157
Acquisition of a subsidiary (note 33)	–	–	56,249	–	–	–	56,249
Disposal of a subsidiary (note 34)	–	–	(128,855)	–	–	–	(128,855)
Gross deferred tax liabilities at 31 December 2018	84,181	70,980	2,030,315	139,720	153,669	9,725	2,488,590

27. Deferred Tax *(continued)*

Deferred tax assets

	2018					
	Depreciation in excess of related depreciation allowance RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Total RMB'000
At 1 January 2018	2,465	1,637,778	245,265	123,657	3,411	2,012,576
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	246	80,539	250,253	61,303	(84)	392,257
Acquisition of subsidiaries (note 33)	–	22,686	48,606	12,240	–	83,532
Disposal of a subsidiary (note 34)	–	–	(3,434)	–	–	(3,434)
Derecognition of a subsidiary (note 35)	–	–	(1,736)	–	–	(1,736)
Gross deferred tax assets at 31 December 2018	2,711	1,741,003	538,954	197,200	3,327	2,483,195
Net deferred tax charged to the statement of profit or loss during the year (note 10)						(181,900)
Net deferred tax liabilities at 31 December 2018						(5,395)

Deferred tax liabilities

	2017					
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	69,645	102,223	1,374,901	139,720	–	1,686,489
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	6,889	(16,670)	300,606	–	–	290,825
Deferred tax charged to the statement of changes in equity during the year	–	–	–	–	9,725	9,725
Gross deferred tax liabilities at 31 December 2017	76,534	85,553	1,675,507	139,720	9,725	1,987,039

27. Deferred Tax *(continued)*

Deferred tax assets

	2017					
	Depreciation in excess of related depreciation allowance RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Total RMB'000
At 1 January 2017	2,212	1,426,964	244,435	116,171	3,423	1,793,205
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	253	210,814	27,157	7,486	(12)	245,698
Derecognition of subsidiaries (note 35)	–	–	(26,327)	–	–	(26,327)
Gross deferred tax assets at 31 December 2017	2,465	1,637,778	245,265	123,657	3,411	2,012,576
Net deferred tax charged to the statement of profit or loss during the year (note 10)						(45,127)
Net deferred tax assets at 31 December 2017						25,537

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**1,642,044**	1,410,904
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,647,439)**	(1,385,367)
	(5,395)	25,537

The Group has unutilised tax losses arising in Mainland China of approximately RMB2,872,135,000 (2017: approximately RMB2,185,381,000) that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses amounting to approximately RMB716,319,000 (2017: approximately RMB1,204,321,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

27. Deferred Tax *(continued)*

Deferred tax assets *(continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2018, unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China of approximately RMB13,373,810,000 (2017: approximately RMB11,649,963,000) have not been recognised for withholding taxes.

Taking into account the Group's dividend policy and the working capital demand for business operation in Mainland China, the directors of the Company are of the view that it is the best interest of the Company to distribute its final dividend in the foreseeable future out of the share premium account of the Company, which is permissible by the Companies Law of the Cayman Islands and is also permissible by the Company's articles of association upon the approval of the Company's shareholders at the annual general meeting.

In the opinion of the directors of the Company, the Company has sufficient distributable reserves, including the Company's share premium to meet its dividend policy in the foreseeable future, and it is not probable that dividends would be declared by the Group's subsidiaries and joint ventures established in Mainland China in the foreseeable future. Accordingly, the Group did not provide additional deferred tax related to the unremitted earnings of the Group's subsidiaries and joint ventures established in Mainland China that are subject to withholding taxes once distributed.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. Deferred Revenue

The Group entered into an agreement with a vendor (the "Vendor") on 7 July 2011, pursuant to which the Group should pay a cash consideration of RMB43,400,000, and transfer certain apartments and car parking spaces (collectively, the "Transfer Properties") of RMB11,000,000 to the Vendor, in exchange for the 10% equity interest in Shanghai Deyu. The exchange of the Transfer Properties is accounted for as a transaction which generates revenue. During the year ended 31 December 2014, the Group entered into a supplemental agreement with the Vendor, pursuant to which the Group paid a cash consideration of RMB8,958,000 to the Vendor in place of transferring partial apartments and car parking spaces to the Vendor. As at 31 December 2018, the remaining apartments and car parking spaces had not been transferred to the Vendor. Accordingly, the above revenue is deferred and will be recognised upon the delivery of the remaining parts of the Transfer Properties.

29. Share Capital

Shares

	2018 No. of shares	2018 RMB'000	2017 No. of shares	2017 RMB'000
Authorised:				
Ordinary shares of HK$0.10 each	**8,000,000,000**	**786,113**	8,000,000,000	786,113
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**3,174,071,756**	**303,909**	3,155,155,055	302,355

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Total RMB'000
At 1 January 2017	3,053,801,748	293,590	6,396,885	–	6,690,475
Final 2016 dividend declared	–	–	(1,557,439)	–	(1,557,439)
Shares issued as scrip dividend during the year	101,353,307	8,765	455,601	–	464,366
At 31 December 2017 and 1 January 2018	3,155,155,055	302,355	5,295,047	–	5,597,402
Final 2017 dividend declared	**–**	**–**	**(978,098)**	**–**	**(978,098)**
Shares issued as scrip dividend during the year	**17,496,701**	**1,429**	**125,716**	**–**	**127,145**
Shares issued as share award during the year (note)	**1,420,000**	**125**	**–**	**(125)**	**–**
Interim 2018 dividend	**–**	**–**	**(788,789)**	**–**	**(788,789)**
At 31 December 2018	**3,174,071,756**	**303,909**	**3,653,876**	**(125)**	**3,957,660**

Note: On 21 December 2018, 1,420,000 new shares of HK$0.10 each were issued to the trustee to be vested on 19 January 2019 pursuant to the Share Award Scheme as announced on 19 January 2018, details of which were disclosed in note 30 to the financial statements and the announcement of the Company dated 21 September 2018 and 18 October 2018. These 1,420,000 awarded shares are held by the trustee and were recorded in treasury shares upon the issue of new shares.

30. Employee Share Schemes

(a) Share option scheme

The share option scheme of the Company was adopted on 11 June 2007 and expired on 2 July 2017.

Pursuant to the shareholder's resolutions of the Company passed on 9 February 2018, the Company has adopted a new share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants (the "Eligible Participants") who will contribute and had contributed to the success of the Group's operations. Eligible participants of the Share Option Scheme include any directors, full-time or part-time employees, executives or officers, advisers, consultants, suppliers, customers and agents of the Company or any of its subsidiaries. Upon becoming effective, the Scheme will remain in force for 10 years from that date.

The maximum number of Shares that may be issued upon the exercise of the Options that may be granted under the Share Option Scheme is 10% of the total number of issued Shares as at the date of the adoption of the Share Option Scheme. The aggregate number of Shares which may be issued upon the exercise of all Options that may be granted under the Share Option Scheme has not exceeded 30% of the Shares in issue as at the latest practicable date. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the issue of a circular by the Company and the shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000 or such other sum as may be from time to time provided under the Listing Rules, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in advance in a general meeting.

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 10 years from that date. The period during which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange of Hong Kong Limited closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange of Hong Kong Limited closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 9 February 2018, the Group granted 1,719,000 share options with an exercise price of HK$12.024 per share upon the acceptance of the grantees (the "Grantees") of the Group. None of the Grantees is a director, chief executive and substantial shareholder of the Company.

30. Employee Share Schemes *(continued)*

(a) Share option scheme *(continued)*

On 12 February 2018, as approved by the board of Company, and consented by each of the Grantees, share options granted on 9 February 2018 had been cancelled.

On 13 February 2018, the Group granted 1,719,000 share options with an exercise price of HK$11.12 per share upon the acceptance of the Grantees of the Group. None of the Grantees is a director, chief executive and substantial shareholder of the Company.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018	
	Weighted average exercise price (HK$ per share)	Number of options
At 1 January	–	–
Granted	11.572	3,438,000
Cancelled	12.024	(1,719,000)
Lapsed	11.12	(150,000)
At 31 December	11.12	1,569,000

None of the above share options were exercised in 2018.

The share options granted to the directors of the Company and employees of the Group are exercisable during the following periods:

Share options granted on 13 February 2018

(i) Each grantee may exercise not more than one-third of his respective options granted from the first anniversary of the date of grant (i.e. 13 February 2019);

(ii) Each grantee may exercise not more than one-third of his respective options granted from the second anniversary of the date of grant (i.e. 13 February 2020); and

(iii) Each grantee may exercise all his respective remaining options granted from the date of the third anniversary of the date of grant (i.e. 13 February 2021).

And, in each case, not later than 12 February 2022.

HK$1.00 is payable for acceptance of grant of share options by each grantee.

The fair value of the share options granted on 13 February 2018 determined at the date of grant using the Binomial Option Pricing Model was approximately HK$4,058,000. Approximately HK$1,642,000 (equivalent to approximately RMB1,438,000) were charged to the statement of profit or loss during the year ended 31 December 2018 (2017: nil).

30. Employee Share Schemes *(continued)*

(a) Share option scheme *(continued)*

The following inputs were used to calculate the fair values of the share options granted:

	Options granted on 13 February 2018
Exercise price	**HK$11.12**
Expected life	**4 years**
Expected volatility	**43.35%**
Expected dividend yield (%)	**7.18%**
Risk-free interest rate (%)	**0.84%**

At the end of the reporting period, the Company had 1,569,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,569,000 additional ordinary shares of the Company, additional share capital of HK$156,900 (equivalent to approximately RMB137,000) and share premium of approximately HK$17,290,000 (equivalent to approximately RMB15,150,000) (before issue expenses).

(b) Share award scheme

The Share Award Scheme was adopted by the Board on 19 January 2018 in order to recognise the contributions by certain employees including certain executive directors of the Company and/or members of the Group (the "Eligible Participant"). Subject to the rules of the Share Award Scheme (the "Scheme Rules"), the Board may, from time to time, at its absolute discretion select any Eligible Participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "Selected Participant"), and determine the number of shares to be granted to the Selected Participant.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of adoption. Pursuant to the Share Award Scheme, the trustee, Computershare Hong Kong Trustees Limited and any additional or replacement trustee, shall purchase from the open market or subscribe for the relevant number of shares awarded and shall hold such shares on trust for the Selected Participants until they are vested in the relevant Selected Participant in accordance with the provisions of the Share Award Scheme. The Board, through its authorised representative(s), shall cause to pay to the trustee the subscription or purchase price for the shares and the related expenses from the Company's resources.

30. Employee Share Schemes *(continued)*

(b) Share award scheme *(continued)*

The Board shall not make any further award of awarded shares which will result in the total number of Shares granted under the Share Award Scheme exceeding 5% of the total number of issued Shares of the Company from the date of adoption. If the relevant subscription or purchase would result in the trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the adoption date, the trustee shall not subscribe or purchase any further shares.

On 19 January 2018, the Board resolved to grant an aggregate of 4,393,500 awarded shares to 28 Eligible Participants and on 18 October 2018, the Board resolved to grant 192,000 awarded shares (together, the "Awarded Shares") to an Eligible Participant pursuant to the Scheme Rules. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) one-third shall be vested on the first anniversary of the date of grant, i.e. 19 January 2019; (ii) one-third shall be vested on the second anniversary of the date of grant, i.e. 19 January 2020; and (iii) the remaining one-third shall be vested on the third anniversary of the date of grant, i.e. 19 January 2021, or an earlier date as approved by the Board.

The fair value of these awarded shares at the grant date approximated the market value of the shares which is calculated based on the closing price of the shares as at the date of the grant of the awarded shares.

Movements in the number of Awarded Shares are as follows:

	2018 Number of shares awarded
At 1 January	–
Granted	**4,585,500**
Lapsed	**(325,500)**
At 31 December	**4,260,000**

Under the 2018 Share Award Scheme, the Group recognised share-based compensation expenses of RMB27,338,000 during the year ended 31 December 2018.

31. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 88 to 89 of the financial statements.

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries which are registered in the PRC shall appropriate a certain percentage of profit for the year (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds which are restricted as to use. During the year ended 31 December 2018, the Group appropriated approximately RMB187,639,000 (2017: approximately RMB239,271,000) to these reserve funds in accordance with the relevant laws and regulations in the PRC.

32. Investments in Joint Operations

The Group has entered into three (2017: three) joint venture arrangements in the form of joint operations with certain parties, to jointly undertake three (2017: three) property development projects located in Guangzhou, Guangdong Province, the PRC. As at 31 December 2018, the aggregate amounts of assets and liabilities recognised in respect of these joint operations were as follows:

	2018 **RMB'000**	2017 RMB'000
Assets	**4,192,113**	4,057,685
Liabilities	**(146,500)**	(179,321)

33. Business Combination

(i) The Group previously held a 90% equity interest in Suzhou City Kaiyu Real Estata Development Limited ("Suzhou Kaiyu") and accounted for Suzhou Kaiyu as a joint venture of the Group. Suzhou Kaiyu is principally engaged in property development. On 3 May 2018, the Group acquired the remaining 10% equity interest in Suzhou Kaiyu from Suzhou City Jinzu Properties Co., Ltd#. The purchase consideration for the acquisition was in the form of cash, with RMB204,700,000.

The fair values of the identifiable assets and liabilities of Suzhou Kaiyu as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Investment property	14	**1,686,000**
Property, plant and equipment	13	**289,988**
Land use rights	15	**74,847**
Property under development		**192,528**
Prepayments, other receivables and other assets		**4,662,696**
Cash and cash equivalents		**120,025**
Trade receivables		**248**
Deferred tax assets	27	**83,532**
Tax payables		**(72,357)**
Trade payables		**(57,214)**
Other payables and accruals		**(4,267,044)**
Deferred tax liabilities	27	**(56,249)**
Interest-bearing bank loans	35(b)	**(610,000)**
Total identifiable net assets at fair value		**2,047,000**
90% equity interest in Suzhou Kaiyu held by the Group prior to the acquisition		**(1,842,300)**
Satisfied by cash		**204,700**
Gain on acquisition of a subsidiary		**–**

33. Business Combination *(continued)*

(i) *(continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	**(204,700)**
Cash and cash equivalents acquired	**120,025**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(84,675)**

Since the acquisition, Suzhou Kaiyu contributed approximately RMB75,012,000 and RMB161,489,000 to the Group's revenue and consolidated loss, respectively for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year 31 December 2018 would have been approximately RMB7,486,552,000 and RMB4,146,267,000.

The English name of this company referred to in these consolidated financial statements represents management's best effort to translate the Chinese name of the company, as no English name has been registered.

33. Business Combination *(continued)*

(ii) On 24 January 2017, the Group acquired a 60% equity interest in Hubei Jinkaida from a third party. Hubei Jinkaida is principally engaged in property development. The purchase consideration for the acquisition was in the form of cash, with RMB30,000,000 fully paid on the acquisition date.

The fair values of the identifiable assets and liabilities of Hubei Jinkaida as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Properties under development	47,941
Cash and cash equivalents	40,000
Other payables and accruals	(37,941)
Total identifiable net assets at fair value	50,000
Non-controlling interests	(20,000)
Satisfied by cash	30,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(30,000)
Cash and cash equivalents acquired	40,000
Net inflow of cash and cash equivalents included in cash flows from investing activities	10,000

Since the acquisition, Hubei Jinkaida did not contribute to the Group's revenue and caused a loss of approximately RMB795,000 to the Group's consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of 2017, the revenue of the Group and the profit of the Group for the year ended 31 December 2017 would have been approximately RMB11,543,072,000 and RMB3,605,013,000, respectively.

33. Business Combination *(continued)*

(iii) On 31 August 2017, the Group acquired a 100% equity interest in Wealth Stretch Investments Limited ("Wealth Stretch") from a third party. Wealth Stretch is principally engaged in property development. The purchase consideration for the acquisition was in the form of cash, with approximately RMB139,531,000 fully paid on the acquisition date.

The fair values of the identifiable assets and liabilities of Wealth Stretch as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Properties under development	154,800
Cash and cash equivalents	1,898
Prepayments, other receivables and other assets	64,003
Tax recoverable	68
Other payables and accruals	(81,238)
Total identifiable net assets at fair value	139,531
Satisfied by cash	139,531

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(139,531)
Cash and bank balances acquired	1,898
Net outflow of cash and cash equivalents included in cash flows from investing activities	(137,633)

Since the acquisition, Wealth Stretch did not contribute to the Group's revenue and caused a loss of approximately RMB91,000 to the Group's consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of 2017, the revenue of the Group and the profit of the Group for the year ended 31 December 2017 would have been approximately RMB11,543,072,000 and RMB3,604,897,000, respectively.

34. Disposal of a Subsidiary

On 30 June 2018, the Group entered into a share transfer agreement for the disposal of its entire equity interest in a wholly-owned subsidiary for a consideration of RMB1,878,566,000.

Details of the assets disposed of as at the date of disposal under the share transfer agreements and the financial impacts are summarised below:

	Notes	RMB'000
Net assets disposed of:		
Trade receivables		60
Deferred tax assets	27	3,434
Cash and bank balances		5,685
Properties under development		589,157
Investment property	14	1,397,000
Prepayments, other receivables and other assets		85
Trade payables		(443)
Tax payables		(107)
Deferred tax liabilities	27	(128,855)
Other payables and accruals		(1,154,818)
		711,198
Gain on disposal of a subsidiary		1,167,368
Satisfied by cash		1,878,566

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	1,878,566
Cash and cash equivalents disposed	(5,685)
Net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary	1,872,881

35. Notes to the Consolidated Statement of Cash Flows

(a) Derecognition of subsidiaries

(i) On 10 June 2018, the Group entered into the cooperation agreement with Shanghai Red Star Macalline Property Limited ("Shanghai Red Star Macalline")#. According to the agreement, all significant resolutions of Nantong Nanjing Real Estate Development Limited ("Nantong Nanjing")#, a non-wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Shanghai Red Star Macalline unanimously, and hence the Group has no unilateral control, but has joint control over Nantong Nanjing, and accordingly, Nantong Nanjing is accounted for as a joint venture of the Group thereafter.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	Note	RMB'000
Net assets derecognised:		
Deferred tax assets	27	**1,736**
Cash and bank balances		**26,058**
Properties under development		**1,114,493**
Prepayments, other receivables and other assets		**627,681**
Trade payables		**(29)**
Interest-bearing bank and other borrowings	35(b)	**(532,240)**
Other payables and accruals		**(140,990)**
Net assets value derecognised		**1,096,709**
Attributable to non-controlling interests		**537,387**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Nantong Nanjing is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(26,058)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Nantong Nanjing	**(26,058)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese name of those companies, as no English name have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(a) Derecognition of subsidiaries *(Continued)*

(ii) During the year ended 31 December 2018, the Group entered into the shareholder agreement with Zhuhai Yiyun Property Limited ("Zhuhai Yiyun")#, pursuant to which, Zhuhai Yiyun injected a cash consideration of RMB1,000,000 to obtain 50% of a fully diluted equity interest in Guangzhou Hejing Longtai Real Estate Development Limited ("Guangzhou Hejing Longtai")#, a wholly-owned subsidiary of the Company before the capital injection. Subsequent to the capital injection by Zhuhai Yiyun, all significant resolutions of Guangzhou Hejing Longtai shall be approved by Zhuhai Yiyun, hence the Group has no control, but has significant influence over Guangzhou Hejing Longtai, and accordingly, Guangzhou Hejing Longtai is accounted for as a associate of the Group thereafter.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	Note	RMB'000
Net assets derecognised:		
Property, plant and equipment	13	**76**
Properties under development		**939,229**
Prepayments, other receivables and other assets		**664**
Cash and bank balances		**55,630**
Trade payables		**(9)**
Other payables and accruals		**(996,496)**
Net assets value derecognised		**(906)**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Guangzhou Hejing Longtai is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(55,630)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Guangzhou Hejing Longtai	**(55,630)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese name of those companies, as no English name have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(a) Derecognition of subsidiaries *(Continued)*

(iii) During the year ended 31 December 2018, the Group entered into the shareholder agreement with Hainan Jingye Real Estate Development Limited ("Hainan Jingye")#, pursuant to which, Hainan Jingye injected a cash consideration of RMB4,000,000 to obtain 80% of a fully diluted equity interest in Guangzhou City Pusheng Real Estate Development Limited ("Guangzhou Pusheng")#, a wholly-owned subsidiary of the Company before the capital injection. Subsequent to the capital injection by Hainan Jingye, all significant resolutions of Guangzhou Pusheng, shall be approved by Hainan Jingye, hence the Group has no control, but has significant influence over Guangzhou Pusheng, and accordingly, Guangzhou Pusheng is accounted for as a associate of the Group thereafter.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	RMB'000
Net assets derecognised:	
Properties under development	**81,497**
Prepayments, other receivables and other assets	**50,043**
Cash and bank balances	**451**
Trade payables	**(1)**
Other payables and accruals	**(130,311)**
Net assets value derecognised	**1,679**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Guangzhou Pusheng is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(451)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Guangzhou Pusheng	**(451)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese name of those companies, as no English name have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(a) Derecognition of subsidiaries *(Continued)*

(iv) During the year ended 31 December 2018, the Group entered into the shareholder agreement with Guangzhou Fangyuan Real Estate Development Limited ("Guangzhou Fangyuan")#. According to the agreement, all significant resolutions of Beijing Zunli Business Service Limited ("Beijing Zunli")#, a wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Guangzhou Fangyuan unanimously, hence the Group has no control over Beijing Zunli, and accordingly, Beijing Zunli is accounted for as a joint venture of the Group thereafter.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	Note	RMB'000
Net assets derecognised:		
Property, plant and equipment	13	**9**
Properties under development		**4,548,563**
Prepayments, other receivables and other assets		**2,492,266**
Cash and bank balances		**2,428**
Trade payables		**(22)**
Other payables and accruals		**(4,761,159)**
Tax payables		**(270)**
Interest bearing bank loans	35(b)	**(2,280,000)**
Net assets value derecognised		**1,815**

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Beijing Zunli is as follows:

	RMB'000
Cash and cash equivalents derecognised	**(2,428)**
Net cash outflow of cash and cash equivalents in respect of the derecognition of Beijing Zunli	**(2,428)**

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese name of those companies, as no English name have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(a) Derecognition of subsidiaries *(Continued)*

(v) During the year ended 31 December 2017, the Group entered into a shareholder agreement with Shenzhen Junrui Hexin Investment Co., Limited ("Junrui Hexin")#, pursuant to which, the Group increased its investment by RMB359,000,000 and Junrui Hexin injected a cash consideration of RMB441,000,000 to obtain 49% of a fully diluted equity interest in Foshan Hongsheng Real Estate Development Limited ("Foshan Hongsheng")#, a wholly-owned subsidiary of the Company before the capital injection. Subsequent to the capital injection by Junrui Hexin, all significant resolutions of Foshan Hongsheng shall be approved by the Group and Junrui Hexin unanimously, and hence the Group no longer has unilateral control, but has joint control over Foshan Hongsheng, and accordingly, Foshan Hongsheng was derecognised as a subsidiary of the Company and recognised as a joint venture of the Group on 26 June 2017.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	Notes	RMB'000
Net assets derecognised:		
Property, plant and equipment	13	155
Deferred tax assets	27	10,150
Properties under development		4,040,592
Prepayments, other receivables and other assets		2,090,013
Cash and cash equivalents		5,457
Tax recoverables		3,471
Trade and bills payables		(13)
Other payables and accruals		(3,407,486)
Interest-bearing bank and other borrowings		(2,600,000)
Net assets value derecognised		142,339

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Foshan Hongsheng is as follows:

	RMB'000
Cash consideration for additional investment in Foshan Hongsheng	(359,000)
Cash and cash equivalents derecognised	(5,457)
Net cash outflow of cash and cash equivalents in respect of the derecognition of Foshan Hongsheng	(364,457)

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Derecognition of subsidiaries *(Continued)*

(vi) During the year ended 31 December 2017, the Group entered into a shareholder agreement with Guangdong Fangyuan Culture Development Co., Limited ("Guangdong Fangyuan")#. According to the agreement, all significant resolutions of Tianjin Hongsheng Property Development Limited ("Tianjin Hongsheng")#, a wholly-owned subsidiary of the Company before entering into the agreement, should be approved by the Group and Guangdong Fangyuan unanimously, and hence the Group has no unilateral control, but has joint control over Tianjin Hongsheng, and accordingly, Tianjin Hongsheng was derecognised as a subsidiary of the Company and recognised as a joint venture of the Group on 31 May 2017.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	Notes	RMB'000
Net assets derecognised:		
Property, plant and equipment	13	187
Deferred tax assets	27	6,796
Properties under development		6,447,982
Prepayments, other receivables and other assets		53,577
Cash and cash equivalents		15,078
Tax recoverables		3,844
Trade and bills payables		(1)
Other payables and accruals		(3,374,540)
Interest-bearing bank and other borrowings		(3,100,000)
Net assets value derecognised		52,923

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Tianjin Hongsheng is as follows:

	RMB'000
Cash and cash equivalents derecognised	(15,078)
Net cash outflow of cash and cash equivalents in respect of the derecognition of Tianjin Hongsheng	(15,078)

\# The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Derecognition of subsidiaries *(Continued)*

(vii) During the year ended 31 December 2017, the Group entered into a shareholder agreement with Guangzhou City Tianrun Industrial Investment Co., Limited ("Guangzhou Tianrun")#. According to the agreement, all significant resolutions of Shanghai Hongjing Real Estate Development Limited ("Shanghai Hongjing")#, a wholly-owned subsidiary of the Company before entering into the agreement, shall be approved by the Group and Guangzhou Tianrun unanimously, and hence the Group has no unilateral control, but has joint control over Shanghai Hongjing, and accordingly, Shanghai Hongjing was derecognised as a subsidiary of the Company and recognised as a joint venture of the Group on 31 May 2017.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	Notes	RMB'000
Net assets derecognised:		
Property, plant and equipment	13	8
Deferred tax assets	27	9,381
Properties under development		5,500,477
Prepayments, other receivables and other assets		86,896
Cash and cash equivalents		2,109
Tax recoverables		339
Trade and bills payables		(4)
Other payables and accruals		(2,207,845)
Interest-bearing bank and other borrowings		(3,300,000)
Net assets value derecognised		91,361

An analysis of the net cash outflow of cash and cash equivalents in respect of the derecognition of Shanghai Hongjing is as follows:

	RMB'000
Cash and cash equivalents derecognised	(2,109)
Net cash outflow of cash and cash equivalents in respect of the derecognition of Shanghai Hongjing	(2,109)

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Derecognition of subsidiaries *(Continued)*

(viii) During the year ended 31 December 2017, the Group entered into a share transfer agreement with China Minsheng Trust Co., Limited ("Minsheng Trust")#, pursuant to which Minsheng Trust paid a cash consideration of RMB24,500,000 to the Group to obtain a 49% equity interest in Hefei Hongtao Real Estate Development Limited ("Hefei Hongtao")#, a wholly-owned subsidiary of the Company before the transaction above. Subsequent to the capital injection by Minsheng Trust, all significant resolutions of Hefei Hongtao shall be approved by the Group and Minsheng Trust, and hence the Group no longer has unilateral control, but has joint control over Hefei Hongtao, and accordingly, Hefei Hongtao was derecognised as a subsidiary of the Company and recognised as a joint venture of the Group on 31 May 2017.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	Note	RMB'000
Net assets derecognised:		
Property, plant and equipment	13	197
Properties under development		1,251,808
Prepayments, other receivables and other assets		297
Cash and cash equivalents		518
Other payables and accruals		(1,204,745)
Tax payables		(8)
Net assets value derecognised		48,067

An analysis of the net cash inflow of cash and cash equivalents in respect of the derecognition of Hefei Hongtao is as follows:

	RMB'000
Cash consideration of the transferred 49% equity interest	24,500
Cash and cash equivalents derecognised	(518)
Net cash inflow of cash and cash equivalents in respect of the derecognition of Hefei Hongtao	23,982

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Derecognition of subsidiaries *(Continued)*

(ix) During the year ended 31 December 2017, the Group entered into a share transfer agreement with Minsheng Trust, pursuant to which Minsheng Trust paid a cash consideration of RMB24,500,000 to the Group to obtain 49% of a fully diluted equity interest in Hefei Mingyu Real Estate Development Limited ("Hefei Mingyu")#, a wholly-owned subsidiary of the Company before the transaction above. Subsequent to the capital injection by Minsheng Trust, all significant resolutions of Hefei Mingyu shall be approved by the Group and Minsheng Trust, and hence the Group no longer has unilateral control, but has joint control over Hefei Mingyu, and accordingly, Hefei Mingyu was derecognised as a subsidiary of the Company and recognised as a joint venture of the Group on 31 May 2017.

Details of the net assets derecognised as at the date of derecognition and the financial impacts are summarised below:

	RMB'000
Net assets derecognised:	
Properties under development	2,081,120
Cash and cash equivalents	66
Other payables and accruals	(2,032,155)
Net assets value derecognised	49,031

An analysis of the net cash inflow of cash and cash equivalents in respect of the derecognition of Hefei Mingyu is as follows:

	RMB'000
Cash consideration of the transferred 49% equity interest	24,500
Cash and cash equivalents derecognised	(66)
Net cash inflow of cash and cash equivalents in respect of the derecognition of Hefei Mingyu	24,434

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese name of those companies, as no English name have been registered.

35. Notes to the Consolidated Statement of Cash Flows *(continued)*

(b) Changes in liabilities arising from financing activities

	Notes	Interest-bearing bank and other borrowings RMB'000	Other payables and accruals RMB'000
At 1 Januray 2018		**59,645,171**	**1,316,789**
Changes from financing cash flows		**19,201,793**	**(1,156,333)**
2017 final dividends payable	11, 29	**–**	**978,098**
2018 interim dividends payable	11, 29	**–**	**788,789**
Share issued as scrip dividend	29	**–**	**(127,145)**
Financial lease payable	26(c)	**318,538**	**–**
Interest expense	7	**18,681**	**4,405,530**
Interest paid classified as operating cash flows		**–**	**(4,186,027)**
Foreign exchange movement		**800,304**	**–**
Acquisition of a subsidiary	33	**610,000**	**–**
Derecognition of subsidiaries	35(a)	**(2,812,240)**	**–**
At 31 December 2018		**77,782,247**	**2,019,701**

	Notes	Interest bearing bank and other borrowings RMB'000	Other payables and accruals RMB'000
At 1 Januray 2017		42,949,970	900,341
Changes from financing cash flows		26,138,587	(1,093,073)
2016 final dividends payable	29	–	1,557,439
2017 interim dividends payable	11	–	305,380
Share issued as scrip dividend	29	–	(464,366)
Premium paid on early redemption of senior notes	6	174,540	–
Interest expense	7	30,643	3,067,924
Interest paid classified as operating cash flows		–	(2,956,856)
Foreign exchange movement		(648,569)	–
Derecognition of subsidiaries	35(a)	(9,000,000)	–
At 31 December 2017		59,645,171	1,316,789

36. Contingent Liabilities

At the end of the reporting period, contingent liabilities of the Group not provided for in the financial statements were as follows:

	Notes	2018 RMB'000	2017 RMB'000
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties	(a)	**8,117,109**	5,036,062
Guarantees given to banks in connection with bank loans granted to joint ventures and associates	(b)	**15,736,315**	12,604,118
		23,853,424	17,640,180

Notes:

(a) As at 31 December 2018 and 2017, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the board of directors of the Company considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the years ended 31 December 2018 and 2017 for the guarantees.

(b) As at 31 December 2018, the banking facilities guaranteed by the Group to joint ventures and associates were utilised to the extent of approximately RMB15,736,315,000 (2017: approximately RMB12,604,118,000).

37. Pledge of Assets

(a) At the end of the reporting period, the following assets of the Group were pledged to certain banks and a lessor to secure general banking and other borrowing facilities granted to the Group:

	Notes	2018 RMB'000	2017 RMB'000
Property, plant and equipment	13	**2,796,547**	2,314,124
Investment properties	14	**6,409,301**	6,730,515
Land use rights	15	**311,310**	145,530
Properties under development	18	**17,689,861**	9,563,836
Completed properties held for sale	19	**1,029,118**	388,488
Time deposits	23	**1,016,680**	109,000
		29,252,817	19,251,493

(b) As at 31 December 2018 and 2017, the equity interests of certain subsidiaries of the Group were pledged to certain banks for the loans granted to the Group.

(c) As at 31 December 2018 and 2017, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

(d) As at 31 December 2018, the domestic corporate bonds of approximately RMB15,893,503,000 (2017: approximately RMB17,898,024,000) were guaranteed by the Company.

38. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 16 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**412,349**	272,660
In the second to fifth years, inclusive	**683,345**	472,171
After five years	**176,512**	46,208
	1,272,206	791,039

38. Operating Lease Arrangements *(continued)*

(b) As lessee

The Group lease certain items of properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 month to 20 years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**152,127**	22,748
In the second to fifth years, inclusive	**554,970**	26,848
After five years	**1,498,931**	–
	2,206,028	49,596

39. Commitments

In addition to the operating lease commitments detailed in note 38(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**580,847**	222,500
Properties being developed by the Group for sale	**10,045,197**	3,385,922
Investment properties	**7,366**	251,044
	10,633,410	3,859,466

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for	**6,636,605**	3,816,196

40. Related Party Transactions

(a) During the year ended 31 December 2018, the Group provided project management services to certain joint ventures and associates of the Group for a total cash consideration of approximately RMB213,520,000 (2017: approximately RMB196,402,000), which was recognised as other income of the Group. The management fee income was determined at rates mutually agreed between the Group and the joint ventures and associates.

(b) On 27 September 2018, Guangzhou Hejing Real Estate Development Limited (the "Seller"), a wholly-owned subsidiary of the Company, entered into a property sale and purchase agreement with Mr. Kong Jiantao, an executive Director and the chief executive officer of the Company, and Ms. Zhang Xin, the spouse of Mr. Kong Jiantao (the "Purchasers"), pursuant to which the Seller agreed to sell, and the Purchasers agreed to purchase, the target property (being a residential apartment within a residential property development project in Guangzhou, namely the Cosmos, developed by the Seller) at a consideration (including value added tax) of approximately RMB38,116,000. The Seller has recognised revenue of approximately RMB36,301,000 from the sale.

(c) During the year ended 31 December 2018, the Group leased some properties to related companies, of which an executive director of the Company is the ultimate beneficial owner, for a total cash consideration of approximately RMB156,000 (2017: nil), which was recognised as rental income and management fee income of the Group. The rental income was determined at rates mutually agreed between the Group and the executive director.

(d) Other transactions with related parties

Details of guarantees given by the Group to banks in connection with bank loans granted to joint ventures are included in note 36 to the financial statements.

The related party transaction in respect of item (b) above also constitutes connected transaction as defined in Chapter 14A of the Listing Rules.

The related party transaction in respect of item (c) above also constitutes continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(e) Outstanding balances with related parties

Details of the Group's balances with its associates and joint ventures are included in notes 16 and 17 respectively to the financial statements.

(f) Compensation of key management personnel of the Group

	2018 RMB'000	2017 RMB'000
Short term employee benefits	**35,564**	30,950
Post-employment benefits	**728**	643
Share-based compensation	**10,584**	–
Total compensation paid to key management personnel	**46,876**	31,593

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

41. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – Financial assets at amortised cost

	Notes	2018 RMB'000	2017 RMB'000
Trade receivables	20	**957,665**	535,665
Financial assets included in prepayments, other receivables and other assets	21	**4,031,855**	2,167,038
Due from a joint venture	17	**30,069**	30,065
Restricted cash	23	**4,099,329**	1,268,364
Cash and cash equivalents	23	**52,577,643**	39,198,957
		61,696,561	43,200,089

Financial liabilities – Financial liabilities at amortised cost

	Notes	2018 RMB'000	2017 RMB'000
Trade and bills payables	24	**4,077,063**	2,644,265
Financial liabilities included in other payables and accruals	25	**10,067,536**	6,493,778
Due to joint ventures	17	**39,294,914**	27,929,009
Due to associates	16	**592,204**	–
Interest-bearing bank and other borrowings	26	**77,782,247**	59,645,171
		131,813,964	96,712,223

42. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018 **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000
Financial liabilities:				
Interest-bearing bank and other borrowings	**77,782,247**	59,645,171	**76,707,143**	59,167,596

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from/to joint ventures and due to associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2018 and 2017.

During the years ended 31 December 2018 and 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

42. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

Liabilities for which fair values are disclosed:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**–**	**76,707,143**	**–**	**76,707,143**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	59,167,596	–	59,167,596

43. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, trade receivables, other receivables and other assets, and amounts due from joint ventures. The financial liabilities of the Group mainly include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings, amounts due to joint ventures and amounts due to associates.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management and focuses on minimising potential adverse effects of these risks with material impact on the Group's financial performance. The Group's exposure to these risks is kept to a minimum. Management closely monitors the risk exposure and will consider using derivatives and other instruments to hedge significant risk exposure should the need arise. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

Business risk

The Group conducts its operations in Mainland China and Hong Kong, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, the influence of national authorities over pricing and the financing regulations in the property development industry.

43. Financial Risk Management Objectives and Policies *(continued)*

Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2018			
RMB	**200**	**(390,516)**	**–**
Hong Kong dollar	**200**	**(58,650)**	**–**
United States dollar	**200**	**(34,519)**	**–**
RMB	**(200)**	**390,516**	**–**
Hong Kong dollar	**(200)**	**58,650**	**–**
United States dollar	**(200)**	**34,519**	**–**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2017			
RMB	200	(265,725)	–
Hong Kong dollar	200	(29,106)	–
United States dollar	200	(24,186)	–
RMB	(200)	265,725	–
Hong Kong dollar	(200)	29,106	–
United States dollar	(200)	24,186	–

43. Financial Risk Management Objectives and Policies *(continued)*

Foreign currency risk

The Group's most businesses are mainly located in Mainland China and the transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's foreign currency exposures mainly arise from interest-bearing bank and other borrowings and bank balances denominated in currencies other than the units' functional currencies as at 31 December 2018 and 31 December 2017.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2018				
If RMB weakens against Hong Kong dollar	**(5)**	**N/A**	**563,786**	**(1,381,504)**
If RMB strengthens against Hong Kong dollar	**5**	**N/A**	**(563,786)**	**1,381,504**
If RMB weakens against United States dollar	**N/A**	**(5)**	**9,051**	**–**
If RMB strengthens against United States dollar	**N/A**	**5**	**(9,051)**	**–**

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2017				
If RMB weakens against Hong Kong dollar	(5)	N/A	558,532	(1,196,572)
If RMB strengthens against Hong Kong dollar	5	N/A	(558,532)	1,196,572
If RMB weakens against United States dollar	N/A	(5)	10,693	–
If RMB strengthens against United States dollar	N/A	5	(10,693)	–

* Excluding retained profits

43. Financial Risk Management Objectives and Policies *(continued)*

Credit Risk

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	**Lifetime ECLs**			
	Stage 1 RMB'000	**Stage 2** RMB'000	**Stage 3** RMB'000	**Simplified approach** RMB'000	RMB'000
Trade receivables*	–	–	–	957,665	957,665
Financial assets included in prepayments, other receivables and other assets*					
— Normal**	3,902,394	–	–	129,461	4,031,855
Due from a joint venture	30,069	–	–	–	30,069
Restricted bank balances					
— Not yet past due	4,099,329	–	–	–	4,099,329
Cash and cash equivalents					
— Not yet past due	52,577,643	–	–	–	52,577,643
Guarantees given to banks in connection with mortgages granted to certain purchasers of the Group's properties					
— Not yet past due	8,117,109	–	–	–	8,117,109
Guarantees given to banks in connection with bank loans granted to joint ventures and associates					
— Not yet past due	15,736,315	–	–	–	15,736,315
	84,462,859	–	–	1,087,126	85,549,985

* For trade receivables and contract assets included in prepayments, other receivables and other assets, to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 21 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

43. Financial Risk Management Objectives and Policies *(continued)*

Credit Risk *(continued)*

Maximum exposure as at 31 December 2017

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk arising from its sale of properties revenue, property investment, provision of hotel and property management services and its financing activities, including deposits with banks and financial institutions and derivatives. Credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents through the sales proceeds generated from the sale of the properties and having available funding through an adequate amount of credit facilities to meet the Group's construction commitments. The board of directors of the Company expects that the Group's net cash flows from operating activities and additional bank and other borrowings will be available to finance the Group's existing and future property development projects. The Group has a number of alternative plans to mitigate the potential impacts on the Group's working capital should there be any significant adverse changes in the economic environment. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

43. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	8,246,940	13,642,093	57,866,528	11,147,142	90,902,703
Trade and bills payables	4,077,063	–	–	–	–	4,077,063
Other payables and accruals	10,067,536	–	–	–	–	10,067,536
Due to joint ventures	39,294,914	–	–	–	–	39,294,914
Due to associates	592,204	–	–	–	–	592,204
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	8,117,109	–	–	–	–	8,117,109
Guarantee given to banks in connection with bank loans granted to joint ventures and associates	15,736,315	–	–	–	–	15,736,315
	77,885,141	8,246,940	13,642,093	57,866,528	11,147,142	168,787,844

	2017					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	879,725	6,325,374	55,161,353	10,548,838	72,915,290
Trade and bills payables	2,644,265	–	–	–	–	2,644,265
Other payables and accruals	6,493,778	–	–	–	–	6,493,778
Due to joint ventures	27,929,009	–	–	–	–	27,929,009
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	5,036,062	–	–	–	–	5,036,062
Guarantee given to banks in connection with bank loans granted to joint ventures	12,604,118	–	–	–	–	12,604,118
	54,707,232	879,725	6,325,374	55,161,353	10,548,838	127,622,522

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

43. Financial Risk Management Objectives and Policies *(continued)*

Capital management *(continued)*

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is the net borrowings (total bank and other borrowings net of cash and cash equivalents and restricted cash) divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of the reporting periods were as follows:

	2018 **RMB'000**	2017 RMB'000
Net borrowings	**21,105,275**	19,177,850
Total equity	**31,772,009**	28,245,693
Gearing ratio	**66.4%**	67.9%

44. Subsequent Events

On 1 March 2019, the Company issued 7.875% senior notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,343,495,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in a certain specific period prior to the maturity date of 1 September 2023. The senior notes carry interest at a rate of 7.875% per annum, which is payable semi-annually in arrears on 1 March and 1 September of each year, commencing on 1 September 2019. For further details on the senior notes, please refer to the related announcements of the Company dated 21 February 2019, 22 February 2019 and 1 March 2019.

On 22 March 2019, the Company issued 7.875% senior notes (the "Additional Notes") with an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,343,040,000) which was consolidated and form a single class with the above senior notes issued on 1 March 2019 (the "Original Notes"). The principal terms of the Additional Notes are the same as the terms of the Original Notes as set forth in the announcement of the Company dated 22 February 2019. The Additional Notes will mature on 1 September 2023, unless earlier redeemed in accordance with the terms thereof. For further details on the senior notes, please refer to the related announcements of the Company dated 20 March 2019 and 22 March 2019.

On 8 April 2019, the Company granted a total of 2,059,500 awarded shares to 27 grantees for nil consideration pursuant to share award scheme rules. For further details, please refer to the related announcement of the Company dated 8 April 2019.

45. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**38,545**	31,032
Interests in subsidiaries	**21,743,369**	18,709,321
Interests in joint ventures	**10,238,384**	9,067,712
Total non-current assets	**32,020,298**	27,808,065
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,306,225**	182,888
Due from subsidiaries	**4,984,765**	4,755,324
Cash and cash equivalents	**2,862,469**	660,840
Total current assets	**9,153,459**	5,599,052
CURRENT LIABILITIES		
Other payables and accruals	**1,541,691**	906,183
Due to joint ventures	**214,786**	218,192
Interest-bearing bank and other borrowings	**8,546,442**	325,802
Total current liabilities	**10,302,919**	1,450,177
NET CURRENT (LIABILITIES)/ASSETS	**(1,149,460)**	4,148,875
TOTAL ASSETS LESS CURRENT LIABILITIES	**30,870,838**	31,956,940
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**28,779,543**	27,524,911
Other payables and accruals	**177,217**	177,217
Total non-current liabilities	**28,956,760**	27,702,128
NET ASSETS	**1,914,078**	4,254,812
EQUITY		
Issued capital	**303,909**	302,355
Treasury shares	**(125)**	–
Reserves	**1,610,294**	3,952,457
TOTAL EQUITY	**1,914,078**	4,254,812

45. Statement of Financial Position of the Company *(continued)*

Note:

A summary to the Company's reserves is as follows:

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017		6,396,885	308,006	(948,634)	–	(82,796)	5,673,461
Final 2016 dividend declared	29	(1,557,439)	–	–	–	–	(1,557,439)
Shares issued as scrip dividend during the year	29	455,601	–	–	–	–	455,601
Interim 2017 dividend		–	–	–	–	(305,380)	(305,380)
Loss for the year		–	–	–	–	(433,635)	(433,635)
Exchange differences on translation into presentation currency		–	–	119,849	–	–	119,849
At 31 December 2017		5,295,047	308,006	(828,785)	–	(821,811)	3,952,457
At 31 December 2017 and 1 January 2018		**5,295,047**	**308,006**	**(828,785)**	**–**	**(821,811)**	**3,952,457**
Final 2017 dividend declared	**29**	**(978,098)**	**–**	**–**	**–**	**–**	**(978,098)**
Share-based compensation expenses		**–**	**–**	**–**	**28,776**	**–**	**28,776**
Shares issued as scrip dividend during the year	**29**	**125,716**	**–**	**–**	**–**	**–**	**125,716**
Interim 2018 dividend		**(788,789)**	**–**	**–**	**–**	**–**	**(788,789)**
Loss for the year		**–**	**–**	**–**	**–**	**(452,374)**	**(452,374)**
Exchange differences on translation into presentation currency		**–**	**–**	**(277,394)**	**–**	**–**	**(277,394)**
At 31 December 2018		**3,653,876**	**308,006**	**(1,106,179)**	**28,776**	**(1,274,185)**	**1,610,294**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation of the Group in preparation for the listing of the Company, over the nominal value of the Company's shares in exchange therefor.

The equity-settled share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

46. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 18 April 2019.

Major Property held by the Group

Property	The Group's interest (%)	Location	Site area ('000 sq.m.)	Total GFA ('000 sq.m.)	Usage	Expected date of completion
Major completed properties held for sale						
Vision of World	100	Fengxian District, Shanghai	83	206	Residential, serviced apartment, commercial and hotel	N/A
Summer Terrace	100	Haidian District, Beijing	13	30	Residential and commercial	N/A
The Summit	100	Zengcheng District, Guangzhou	900	1,264	Residential, villa, serviced apartment, office and commercial	N/A
The Sapphire	100	Xiangcheng District, Suzhou	327	882	Residential,serviced apartment,office and commercial	N/A
Leader Plaza	100	Industrial District,Suzhou	14	77	Serviced apartment,office and commercial	N/A
Chengdu Cosmos	100	South New District, Chengdu	148	808	Residential, serviced apartment, office and commercial	N/A
Suzhou Apex	100	Wuzhong District, Suzhou	170	523	Residential, serviced apartment, commercial and hotel	N/A
Major properties under development						
The Summit	100	Zengcheng City, Guangzhou	1,071	1,504	Residential, villa, serviced apartment, office and commercial	2019
KWG Center I	100	Tongzhou District,Beijing	18	128	Serviced apartment, office and commercial	2019
KWG Center II	100	Tongzhou District,Beijing	17	125	Serviced apartment, office and commercial	2019
The Cosmos Chongqing	100	Yubei District, Chongqing	107	388	Residential office, commercial and hotel	2020
Fortunes Season	100	Liujiang District, Liuzhou	383	1,126	Residential,commercial and hotel	2020
Essence of City	100	Zengcheng City, Guangzhou	99	292	Residential, villa and commercial	2019
Cullinan Mansion	100	Cangnan, Wenzhou	49	113	Residential and commercial	2020
Oriental Beauty	70	Qidong, Nantong	81	113	Residential	2019

Property	The Group's interest (%)	Usage	
Major investment properties			
International Finance Place, Plot J-6, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC	100	Office and commercial	Medium term lease
International Metropolis Plaza, 58 Yaoyuan Road, Pudong new area, Shanghai, the PRC	100	Office and commercial	Medium term lease

Five Year Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

Consolidated Results

	Year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenue	10,465,788	8,339,756	8,865,329	11,543,072	**7,477,471**
Profit before tax	4,645,572	4,662,353	4,527,499	5,555,028	**5,391,230**
Income tax expenses	(1,377,431)	(1,249,168)	(1,065,893)	(1,950,015)	**(1,236,396)**
Profit for the year	3,268,141	3,413,185	3,461,606	3,605,013	**4,154,834**
Attributable to:					
Owners of the Company	3,272,225	3,416,248	3,464,714	3,620,071	**4,035,415**
Non-controlling interests	(4,084)	(3,063)	(3,108)	(15,058)	**119,419**
	3,268,141	3,413,185	3,461,606	3,605,013	**4,154,834**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	RMB112 cents	RMB115 cents	RMB115 cents	RMB117 cents	**RMB128 cents**

Consolidated Assets, Liabilities and Equity

	As at 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
ASSETS					
Non-current assets	30,035,002	37,189,508	35,795,122	53,206,924	**63,761,404**
Current assets	41,512,013	42,491,909	74,946,688	81,738,114	**120,775,757**
Total assets	71,547,015	79,681,417	110,741,810	134,945,038	**184,537,161**
LIABILITIES					
Current liabilities	28,047,614	32,189,706	47,308,585	49,407,316	**90,697,356**
Non-current liabilities	23,062,985	25,132,795	39,424,313	57,292,029	**62,067,796**
Total liabilities	51,110,599	57,322,501	86,732,898	106,699,345	**152,765,152**
EQUITY					
Equity attributable to owners of the Company	20,415,846	22,341,409	23,950,445	27,607,284	**28,778,564**
Non-controlling interests	20,570	17,507	58,467	638,409	**2,993,445**
Total equity	20,436,416	22,358,916	24,008,912	28,245,693	**31,772,009**

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