

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

GREENLAND HONG KONG HOLDINGS LIMITED

綠地香港控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 337)

USD450 million 3.875 per cent. Notes due 2019

(Stock Code: 5691)

USD200 million 7.875 per cent. Bonds due 2019

(Stock Code: 5121)

USD200 million 9.875 per cent. Bonds due 2020

(Stock Code: 5485)

2018 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

- Profit for the year attributable to owners of the Company was approximately RMB1,736 million, representing a year-on-year increase of approximately 32%
- Core net profit⁽¹⁾ for the year was approximately RMB1,732 million, representing a year-on-year increase of approximately 32%
- Gross profit margin for the year rose to approximately 27% from approximately 25% for FY2017
- Basic and diluted earnings per share increased by approximately 33% to approximately RMB0.61
- Proposed a 2018 final dividend of HKD0.2 per ordinary share
- Contracted sales amounted to approximately RMB37,925 million for the year, representing a year-on-year increase of approximately 26%
- Since the beginning of FY2018 and up to the date of this announcement, acquired 11 land parcels with a total GFA of approximately 6.38 million square meters in 8 cities

(1) It represents the profit for the year excluding the post-tax gains arising from fair value changes on investment properties, net exchange gains/losses and net loss on disposal of financial derivatives.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue			
– Goods and services	5	15,392,793	14,582,551
– Rental		51,453	36,321
Total revenue		15,444,246	14,618,872
Cost of sales		(11,306,122)	(11,027,571)
Gross profit		4,138,124	3,591,301
Other income	6	29,346	25,416
Other gains and losses	7	(659,896)	273,185
Selling and marketing costs		(811,226)	(587,187)
Administrative expenses		(529,847)	(437,517)
Other operating expenses		(47,817)	(13,403)
Write-down of completed properties held for sale		–	(7,746)
Impairment loss of financial assets and contract assets		(133,529)	–
Net gain on disposal of interests in a subsidiary		487,691	72,063
Results from operating activities		2,472,846	2,916,112
Finance income	8	73,195	95,619
Finance costs	9	(187,488)	(224,191)
Net finance costs		(114,293)	(128,572)
Share of losses of associates		(15,354)	(999)
Share of profits of joint ventures		161,431	139,496
Gains on the change in fair value of investment properties	16	1,226,688	329,268
Profit before income tax		3,731,318	3,255,305
Income tax expenses	10	(1,750,378)	(1,419,687)
Profit for the year		1,980,940	1,835,618
Attributable to:			
Owners of the Company		1,736,288	1,319,308
Non-controlling interests		244,652	516,310
		1,980,940	1,835,618

	<i>NOTE</i>	2018 RMB'000	2017 <i>RMB'000</i>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gain on investments in equity instruments at fair value through other comprehensive income		112,340	–
Other comprehensive income for the year, net of income tax		84,255	–
Total comprehensive income for the year		2,065,195	1,835,618
Total comprehensive income attributable to:			
Owners of the Company		1,820,543	1,319,308
Non-controlling interests		244,652	516,310
		2,065,195	1,835,618
Earnings per share:			
Basic and diluted	<i>14</i>	0.61	0.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	<i>NOTES</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
ASSETS			
Non-Current Assets			
Property, plant and equipment	<i>15</i>	1,208,629	1,228,459
Intangible assets		1,251	1,296
Land use rights		69,315	24,042
Equity instruments at fair value through other comprehensive income		294,340	–
Other financial assets		–	174,567
Investment properties	<i>16</i>	13,083,000	9,082,000
Properties under development		13,194,256	14,976,268
Interests in associates	<i>17</i>	206,554	6,084
Interests in joint ventures	<i>18</i>	619,344	686,413
Deferred tax assets		644,169	817,628
Total non-current assets		29,320,858	26,996,757
Current Assets			
Properties under development		25,083,825	8,945,329
Completed properties held for sale		10,170,401	11,669,969
Trade, other receivables and advance deposits	<i>19</i>	17,538,455	12,568,170
Tax recoverable		944,494	712,849
Contract assets		839,997	–
Contract costs		54,962	–
Restricted bank deposits		2,217,430	2,401,495
Bank balance and cash		4,059,778	5,455,227
Total current assets		60,909,342	41,753,039
Total assets		90,230,200	68,749,796

	<i>NOTES</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
EQUITY AND LIABILITIES			
Capital And Reserves			
Share capital		1,132,097	1,132,855
Share premium		3,412,872	3,416,546
Reserves		1,138,759	961,894
Perpetual securities	22	787,823	787,823
Retained earnings		4,778,667	3,560,011
		<hr/>	<hr/>
Total equity attributable to owners of the Company		11,250,218	9,859,129
Non-controlling interests		2,694,520	1,725,761
		<hr/>	<hr/>
Total equity		13,944,738	11,584,890
		<hr/>	<hr/>
LIABILITIES			
Non-Current Liabilities			
Interest-bearing loans		9,475,268	9,081,312
Bonds	21	1,367,416	2,919,171
Deferred tax liabilities		1,822,577	957,999
		<hr/>	<hr/>
Total non-current liabilities		12,665,261	12,958,482
		<hr/>	<hr/>
Current Liabilities			
Interest-bearing loans		3,209,345	1,480,500
Other financial liabilities		–	98,178
Trade and other payables	20	29,485,687	16,948,717
Contract liabilities		24,511,228	–
Pre-sale deposits		–	19,782,530
Tax payable		1,963,342	1,787,012
Bonds	21	4,450,599	4,109,487
		<hr/>	<hr/>
Total current liabilities		63,620,201	44,206,424
		<hr/>	<hr/>
Total liabilities		76,285,462	57,164,906
		<hr/>	<hr/>
Total equity and liabilities		90,230,200	68,749,796
		<hr/>	<hr/>
Net current liabilities		(2,710,859)	(2,453,385)
		<hr/>	<hr/>
Total assets less current liabilities		26,609,999	24,543,372
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

Greenland Hong Kong Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 13 April 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 2007, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. In 2006, the companies comprising the Group underwent a reorganisation (the “Reorganisation”) to rationalise the Group’s structure in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). On 30 June 2006, the Company became the holding company of the subsidiaries now comprising the Group. The Company’s shares are listed on the Hong Kong Stock Exchange since 10 October 2006.

Greenland Holdings Corporation Limited (“Greenland Holdings”) is the ultimate controlling shareholder of the Group.

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

The Company is an investment holding company. The principal activity of its subsidiaries (together with the Company referred to as the “Group”) is the development for sale and rental of residential properties in the People’s Republic of China (the “PRC”) and the operation of hotels.

1.2 Basis of preparation

As at 31 December 2018, the consolidated statement of financial position reflected a net current liabilities of RMB2,710,859,000. The working capital deficit was primarily caused by RMB 24,511,228,000 contract liabilities. The directors of the Company have taken into account the amount of properties under development that would become available for sale in the next twelve months, which would allow the Group to have sufficient working capital to satisfy its present requirement for the next twelve months from 31 December 2018. Accordingly, the consolidated financial statements are prepared on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSS”)

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time in the current year

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and the related interpretations.

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

- Sales of properties and construction management service
- Hotel and related services
- Property management and other services

Summary of effects arising from initial application of IFRS 15

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

	<i>Note</i>	Impact of adopting IFRS 15 at 1 January 2018 <i>RMB'000</i>
Retained earnings		
Recognition of significant financing component	<i>(b)</i>	(55,483)
Recognition of contract costs	<i>(a)</i>	22,004
Tax effect		<u>8,370</u>
Impact at 1 January 2018		<u>(25,109)</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	<i>Note</i>	Carrying amounts previously reported at 31 December 2017 <i>RMB'000</i>	Reclassification <i>RMB'000</i>	Remeasurement <i>RMB'000</i>	Carrying amounts under IFRS 15 at 1 January 2018 <i>RMB'000</i>
Non-current Assets					
Deferred tax assets	<i>(b)</i>	817,628	–	13,871	831,499
Current Assets					
Properties under development	<i>(b)</i>	8,945,329	–	904,567	9,849,896
Contract costs	<i>(a)</i>			24,410	24,410
Capital and Reserves					
Retained earnings	<i>(a) and (b)</i>	3,560,011	–	(25,109)	3,534,902
Non-controlling interests	<i>(a)</i>	1,725,761	–	1,804	1,727,565
Non-current Liabilities					
Deferred tax liabilities	<i>(a)</i>	957,999	–	6,103	964,102
Current Liabilities					
Per-sale deposits	<i>(c)</i>	19,782,530	(19,782,530)	–	–
Contract liabilities	<i>(b) and (c)</i>	–	19,782,530	960,050	20,742,580

Notes:

- (a) The Group incurred incremental commission paid/payable to intermediaries/employees in connection with obtaining properties sales contracts with customers. These amounts were previously expensed as incurred. At the date of initial application of IFRS 15, incremental costs of obtaining contracts of RMB24,410,000 were recognised with corresponding adjustments RMB16,503,000 to retained profits, RMB1,804,000 to non-controlling interests. The Group recognised related deferred tax liabilities amounting to RMB6,103,000.
- (b) In respect of sales of properties, the Group concluded that there was a significant financing component for those contracts where the period between the customer's payment and the transfer of properties to the customer exceeds one year. Upon adoption of IFRS 15, the Group recognised contract liabilities amounting to RMB960,050,000 for the interest on the advances received from customers with a significant financing component, with RMB41,612,000 and RMB904,567,000 charged to retained earnings and properties under development respectively. The Group recognised related deferred tax assets amounting to RMB13,871,000.
- (c) Advances from customers of RMB19,782,530,000 in respect of sales of properties and properties management previously included in pre-sale deposits were reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustment	Amounts without application of IFRS 15
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets			
Deferred tax assets	644,169	(15,279)	628,890
Current Assets			
Properties under development	25,083,825	(549,178)	24,534,647
Trade, other receivables and advance deposits	17,538,455	839,997	18,378,452
Contract assets	839,997	(839,997)	–
Contract costs	54,962	(54,962)	–
Capital and reserves			
Retained earnings	4,778,667	6,361	4,785,028
Non-controlling interests	2,694,520	(1,743)	2,692,777
Non-current Liabilities			
Deferred tax liabilities	1,822,577	(13,741)	1,808,836
Current Liabilities			
Per-sale deposits	–	23,900,932	23,900,932
Contract liabilities	24,511,228	(24,511,228)	–

Impact on the consolidated statement of profit or loss and other comprehensive income

	As reported	Adjustment	Amounts without application of IFRS 15
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	15,444,246	(500,869)	14,943,377
Cost of sales	11,306,122	(467,315)	10,838,807
Selling and marketing expenses	811,226	30,552	841,778
Finance costs	187,488	(39,189)	148,299
Profit before income tax	3,731,318	(24,917)	3,706,401
Income tax expense	1,750,378	(6,230)	1,744,148
Profit for the year	1,980,940	(18,687)	1,962,253
Attributable to:			
Owners of the Company	1,736,288	(18,748)	1,717,540
Non-controlling interests	244,652	61	244,713
Total comprehensive income for the year	2,065,195	(18,687)	2,046,508
Attributable to:			
Owners of the Company	1,820,543	(18,748)	1,801,795
Non-controlling interests	244,652	61	244,713

2.2 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets, other items (for example, contract assets and financial guarantee contracts) and 3) general hedge accounting.

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

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

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments RMB'000	Equity instruments at fair value through other comprehensive income "FVTOCI" RMB'000	Amortised cost (previously classified as loans and receivables) RMB'000	Financial liabilities at fair value through profit or loss "FVTPL" RMB'000	Other financial liabilities RMB'000	Deferred tax assets RMB'000	Deferred tax liabilities RMB'000	FVTOCI reserves RMB'000	Retained earnings RMB'000
Closing balance at 31 December 2017 – IAS 39		174,567	–	9,059,063	–	98,178	817,628	957,999	–	3,560,011
Effect arising from initial application of IFRS 9:										
Reclassification		–	–	–	–	–	–	–	–	–
From available-for-sale investments	(a)	(174,567)	174,567	–	–	–	–	–	–	–
From other financial liabilities		–	–	–	98,178	(98,178)	–	–	–	–
Remeasurement										
From cost to fair value	(a)	–	7,433	–	–	–	–	1,858	5,575	–
Impairment under ECL model	(b)	–	–	(27,544)	–	–	6,886	–	–	(20,658)
Opening balance at 1 January 2018		–	182,000	9,031,519	98,178	–	824,514	959,857	5,575	3,539,353

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

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its equity investments previously classified as available-for-sale, all of them related to unquoted equity investments previously measured at cost less impairment under IAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB174,567,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gains of RMB7,433,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI, with corresponding adjustments RMB5,575,000 to FVTOCI reserve and RMB1,858,000 to deferred tax liability as at 1 January 2018.

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Except for those which had been determined as credit impaired under IAS 39, trade receivables and contract assets have been assessed individually with outstanding significant balances, the remaining balances are grouped based on debtor's aging. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

ECL for other financial assets at amortised cost, including bank balances and cash and other non-trade receivables, are assessed on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, except for the other non-trade receivables amounting to RMB573,720,000 which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

For outstanding financial guarantees, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12m ECL basis.

As at 1 January 2018, the additional credit loss allowance of RMB27,544,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances including trade receivables and other non-trade receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables RMB'000	Other non-trade receivables RMB'000	Total RMB'000
At 31 December 2017			
– IAS 39	25,735	43,400	69,135
Amounts remeasured through opening retained earnings	<u>10,758</u>	<u>16,786</u>	<u>27,544</u>
At 1 January 2018	<u>36,493</u>	<u>60,186</u>	<u>96,679</u>

2.3 Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification at 1 January 2018.

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected.

	31 December 2017 <i>RMB'000</i> (Audited)	IFRS 15 <i>RMB'000</i>	IFRS 9 <i>RMB'000</i>	1 January 2018 <i>RMB'000</i> (Restated)
Non-current Assets				
Equity instruments at FVTOCI	–	–	182,000	182,000
Other financial assets	174,567	–	(174,567)	–
Deferred tax assets	817,628	13,871	6,886	838,385
Others with no adjustments	26,004,562	–	–	26,004,562
	<u>26,996,757</u>	<u>13,871</u>	<u>14,319</u>	<u>27,024,947</u>
Current Assets				
Properties under development	8,945,329	904,567	–	9,849,896
Contract costs	–	24,410	–	24,410
Trade and other receivables	12,568,170	–	(27,544)	12,540,626
Others with no adjustments	20,239,540	–	–	20,239,540
	<u>41,753,039</u>	<u>928,977</u>	<u>(27,544)</u>	<u>42,654,472</u>
Total assets	<u>68,749,796</u>	<u>942,848</u>	<u>(13,225)</u>	<u>69,679,419</u>
Equity				
Reserves	961,894	–	5,575	967,469
Retained earnings	3,560,011	(25,109)	(20,658)	3,514,244
Non-controlling interests	1,725,761	1,804	–	1,727,565
Others with no adjustments	5,337,224	–	–	5,337,224
	<u>11,584,890</u>	<u>(23,305)</u>	<u>(15,083)</u>	<u>11,546,502</u>
Non-current Liabilities				
Deferred tax liabilities	957,999	6,103	1,858	965,960
Others with no adjustments	12,000,483	–	–	12,000,483
	<u>12,958,482</u>	<u>6,103</u>	<u>1,858</u>	<u>12,966,443</u>

	31 December 2017 RMB'000 (Audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	1 January 2018 RMB'000 (Restated)
Current Liabilities				
Pre-sale deposits	19,782,530	(19,782,530)	–	–
Contract liabilities	–	20,742,580	–	20,742,580
Financial liabilities at FVTPL	–	–	98,178	98,178
Other financial liabilities	98,178	–	(98,178)	–
Others with no adjustments	24,325,716	–	–	24,325,716
	<u>44,206,424</u>	<u>960,050</u>	<u>–</u>	<u>45,166,474</u>
Total liabilities	<u>57,164,906</u>	<u>966,153</u>	<u>1,858</u>	<u>58,132,917</u>
Total equity and liabilities	<u>68,749,796</u>	<u>942,848</u>	<u>(13,225)</u>	<u>69,679,419</u>
Net current liabilities	<u>(2,453,385)</u>	<u>(31,073)</u>	<u>(27,544)</u>	<u>(2,512,002)</u>
Total assets exceed current liabilities	<u>24,543,372</u>	<u>(17,202)</u>	<u>(13,225)</u>	<u>24,512,945</u>

2.5 New and amendments to IFRSs in issue but not yet effective:

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

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

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

² Effective for annual periods beginning on or after a date to be determined.

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

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

⁵ Effective for annual periods beginning on or after 1 January 2020.

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

IFRS 16 Leases

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

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows. Upon application of IFRS 16, the lease payments in relation to lease liability will be split into a principal and an interest portion which will be presented as financing cash flows by the group. Upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB57,970,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB2,308,000 and refundable rental deposits received of RMB21,362,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

3.2 Fair value and historical cost

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of reporting period, as explained in the accounting policies set out below.

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following critical accounting judgement and key sources of estimation uncertainty are used in the preparation of the consolidated financial statements.

Critical judgements in applying accounting policies

Deferred taxation on investment properties

The Group recognises deferred tax in respect of the changes in fair value of the investment properties based on directors' 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 are subsequently disposed by the Group, rather than consumed substantially all of the economic benefits embodied in the investment properties by leasing over time. In the event the investment properties are being disposed, the Group may be liable to higher tax upon disposal considering the impact of land appreciation tax.

Key sources of estimation uncertainty

Valuation of investment properties

Debenham Tie Leung Limited ("DTZ"), having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every six months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in arms' length transaction.

In the absence of current prices in an active market, the valuations are prepared by direct comparison approach for investment properties under development and income capitalisation approach for completed investment properties, considering the capitalisation rates, average unit market rent and average market unit price.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

Investment property under construction or development is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction or development, financing costs and a reasonable profit margin.

Recognition of deferred tax assets

At 31 December 2018, the Group has recognised deferred tax assets. The ability to realise the deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. The calculation of LAT are highly dependent on the appropriateness of the rates used, which are determined by the appreciation of land value. The appreciation of land value is determined with reference to proceeds of the properties less the estimated deductible expenditures, including the cost of land use rights and all property development expenditures. The Group estimated the deductible expenditures according to the understanding of the relevant PRC tax laws and regulations. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

Impairment of non-financial long-lived assets

If circumstances indicate that the carrying amounts of non-financial long-lived assets (other than investment properties, properties under development, completed properties held for sale and deferred tax assets) may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the recoverable amount, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

Write-down of properties under development and completed properties held for sale

Management performs a regular review on the carrying amounts of properties under development and completed properties held for sale. Based on management's review, write-down of properties under development and completed properties held for sale will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties held for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as basis for evaluation. As of 31 December 2018, the amount of the write-down of completed properties held for sale was RMB19,542,000 (As of 31 December 2017: RMB25,908,000).

In respect of properties under development, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

ECL allowance

The Group recognises a loss allowance for ECL on financial assets including trade receivables and other non-trade receivables, contract assets and financial guarantee which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Significant judgements and estimations are required in determining the impairment assessment including the judgements on grouping basis for the provision matrix and the estimations on the expected loss rates used to calculate the ECL allowance. As at 31 December 2018, the carrying amount of trade receivables, contract assets and other non-trade receivables are RMB242,489,000, RMB839,997,000 and RMB14,005,702,000 respectively, net of accumulated ECL impairment loss of RMB41,405,000, RMB1,403,000 and RMB187,400,000 respectively.

5. REVENUE

Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018		
	Revenue recognised at a point in time <i>RMB'000</i>	Revenue recognised over time <i>RMB'000</i>	Total <i>RMB'000</i>
Type of goods and service under IFRS 15			
Sales of properties and construction management service	13,029,929	1,801,400	14,831,329
Hotel and related services	–	134,541	134,541
Property management and other services	–	426,923	426,923
	<u>13,029,929</u>	<u>2,362,864</u>	<u>15,392,793</u>
			For the year ended 31 December 2017 <i>RMB'000</i>
Sales of properties and construction management service			14,101,515
Hotel and related services			137,361
Property management and other services			343,675
			<u>14,582,551</u>

6. OTHER INCOME

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Forfeited deposits from customers	17,135	13,894
Government grants (<i>note</i>)	8,099	1,746
Others	4,112	9,776
	<u>29,346</u>	<u>25,416</u>

Note: The amount of government grants represents the incentive subsidies received from the PRC local district authorities for the business activities carried out by the Group in the district. There are no specific conditions attached to the grants.

7. OTHER GAINS AND LOSSES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Losses from financial assets/liabilities carried at FVTPL		
– unrealised	–	(254,464)
– realised	(15,247)	(81,348)
Foreign exchange (loss) gain	(655,459)	607,869
Net gain on disposal of property, plant and equipment and investment properties	10,810	1,128
	<u>(659,896)</u>	<u>273,185</u>
Total		

8. FINANCE INCOME

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest income on bank deposits and entrusted loans	73,195	95,619

9. FINANCE COSTS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest expenses on bonds	263,424	375,792
Interest expenses on interest-bearing loans	651,393	596,952
Interest expenses on contract liabilities	521,267	–
Less: interest of bonds capitalised	(194,247)	(299,985)
interest of loans capitalised	(572,271)	(448,568)
interest of contract liabilities capitalised	(482,078)	–
	<u>187,488</u>	<u>224,191</u>
Net interest expenses		

10. INCOME TAX EXPENSES

(i) Income tax in the consolidated statement of profit or loss and comprehensive income represents:

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– in respect of current year	754,927	1,345,185
– in respect of prior years	20,147	43,458
– provision for land appreciation tax for current year	667,969	629,475
	<u>1,443,043</u>	<u>2,018,118</u>
Deferred tax		
– charge (credit) for current year	307,335	(598,431)
Total income tax expenses	<u>1,750,378</u>	<u>1,419,687</u>

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during both years.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC, the Group's main operating companies were subject to PRC Enterprise Income Tax at a rate of 25% (2017: 25%).

In addition, the EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% or 10% withholding tax under the EIT Law. A 10% withholding tax rate is applicable to the Group.

Land Appreciation Tax

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items. Land appreciation tax of RMB667,969,000 (2017: RMB629,475,000) has been included in profit or loss during the year.

(ii) The income tax expense for the year can be reconciled to the accounting profit as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit before income tax	<u>3,731,318</u>	<u>3,255,305</u>
Tax at the applicable PRC enterprise income tax rate of 25% (2017: 25%)	932,830	813,826
Tax effect of income not taxable for tax purposes	(12,045)	(78,885)
Tax effect of share of results of associates	3,838	250
Tax effect of share of results of joint ventures	(40,358)	(34,874)
Tax effect of expenses not deductible for tax purposes	272,899	183,800
Under-provision in respect of prior years	42,729	43,458
Tax effect of tax losses not recognised	130,004	128,003
Tax effect of impairment losses not realised	–	(20,767)
Utilisation of tax losses previously not recognised	(33,977)	(87,230)
Tax effect on disposal of a subsidiary (<i>note</i>)	(46,519)	–
LAT provision for the year	667,969	629,475
Tax effect of LAT	<u>(166,992)</u>	<u>(157,369)</u>
Tax charge for the year	<u>1,750,378</u>	<u>1,419,687</u>

Note: EIT on disposals of subsidiaries is calculated at 10% of the difference between consideration and the registered capital of the relevant subsidiary incorporated in the PRC.

11. PERSONNEL EXPENSES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Staff costs (including directors' emoluments)	656,386	482,718
Less: capitalised in properties under development and investment properties under development	<u>(171,269)</u>	<u>(97,459)</u>
Total	<u>485,117</u>	<u>385,259</u>

12. PROFIT FOR THE YEAR

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
The following expenses (income) are included in results for the year		
Cost of properties sold	10,836,197	10,478,611
Auditors' remuneration		
– audit services	2,380	2,110
– audit-related services	1,000	505
Depreciation of property, plant and equipment	89,003	97,514
Amortisation of land use rights	1,395	566
Amortisation of intangible assets	45	45
Amortisation of contract costs	59,441	–
Write-down of completed properties held for sale	–	7,746
Operating lease charges	27,717	24,410
Gross rental income from investment properties	51,453	36,321
Less: direct operating expenses incurred for investment properties that generated rental income during the year	(30,604)	(22,397)
direct operating expenses incurred for investment properties that did not generate rental income during the year	(7,064)	(4,359)
	13,785	9,565

13. DIVIDENDS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Dividends recognised as distribution during the year		
2017 Final: HKD0.15 per share (2016 Final: HKD0.1 per share)	342,114	244,139

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HKD0.20 (2017: final dividend in respect of the year ended 31 December 2017 of HKD0.15) per ordinary share, in an aggregate amount of HKD558,377,000 (2017: HKD419,052,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Earnings used in the calculation of basic and diluted earnings per share	1,736,288	1,319,308
Distribution related to perpetual securities	(44,778)	(45,575)
Earnings used in the calculation of basic and diluted earnings per share	1,691,510	1,273,733
<i>Number of shares</i>		
	2018 <i>'000</i>	2017 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	2,770,145	2,770,980
<i>Earnings</i>		
	2018 <i>RMB</i>	2017 <i>RMB</i>
Earnings for the purpose of basic and diluted earnings per share	0.61	0.46

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Fixtures, fittings & equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
Balance at 1 January 2017	1,277,221	77,360	47,146	337,852	231	1,739,810
Addition	–	1,882	1,273	13,395	26,101	42,651
Transfer	–	11,650	–	–	(11,650)	–
Acquisition of subsidiaries	–	677	–	2,833	–	3,510
Disposal of a subsidiary	–	–	–	(65)	–	(65)
Disposals	–	–	(745)	(12,712)	–	(13,457)
Balance at 31 December 2017	1,277,221	91,569	47,674	341,303	14,682	1,772,449
Addition	1,559	29,080	2,547	34,365	3,670	71,221
Transfer	18,352	–	–	–	(18,352)	–
Acquisition of a subsidiary	672	–	78	757	–	1,507
Disposal of a subsidiary	–	–	–	(492)	–	(492)
Disposals	(672)	(32,439)	(3,020)	(24,000)	–	(60,131)
Balance at 31 December 2018	1,297,132	88,210	47,279	351,933	–	1,784,554
Depreciation						
Balance at 1 January 2017	177,479	52,350	38,996	188,744	–	457,569
Charge for the year	71,356	2,829	1,470	21,859	–	97,514
Disposal of subsidiaries	–	–	–	(27)	–	(27)
Disposals	–	–	(342)	(10,724)	–	(11,066)
Balance at 31 December 2017	248,835	55,179	40,124	199,852	–	543,990
Charge for the year	49,561	13,391	2,653	23,398	–	89,003
Disposal of a subsidiary	–	–	–	(261)	–	(261)
Disposals	(114)	(32,439)	(2,746)	(21,508)	–	(56,807)
Balance at 31 December 2018	298,282	36,131	40,031	201,481	–	575,925
Carrying amounts						
At 31 December 2017	1,028,386	36,390	7,550	141,451	14,682	1,228,459
At 31 December 2018	998,850	52,079	7,248	150,452	–	1,208,629

All buildings owned by the Group are located in the PRC.

As at 31 December 2018, property, plant and equipment with a total carrying value of RMB462,552,000 (as at 31 December 2017: RMB522,476,000) were pledged as collateral for the Group's borrowings.

16. INVESTMENT PROPERTIES

	Completed investment properties <i>RMB'000</i>	Investment properties under development <i>RMB'000</i>	Total <i>RMB'000</i>
FAIR VALUE			
As at 1 January 2017	3,246,000	4,970,000	8,216,000
Additions	–	1,235,707	1,235,707
Disposal	(408,975)	–	(408,975)
Disposal of a subsidiary	(290,000)	–	(290,000)
Net increase in fair value recognised in profit or loss	<u>98,975</u>	<u>230,293</u>	<u>329,268</u>
As at 31 December 2017	2,646,000	6,436,000	9,082,000
Additions	–	1,310,438	1,310,438
Transfer from completed properties held for sale	1,486,543	–	1,486,543
Disposal	(22,669)	–	(22,669)
Transfer	406,978	(406,978)	–
Net increase in fair value recognised in profit or loss (note)	<u>560,513</u>	<u>666,175</u>	<u>1,226,688</u>
As at 31 December 2018	<u><u>5,077,365</u></u>	<u><u>8,005,635</u></u>	<u><u>13,083,000</u></u>

Note: During the year ended 31 December 2018, certain properties held for sale with carrying amount of RMB1,486,543,000 (2017:Nil) was transferred to completed investment properties upon the change in use of the properties evidenced by commencement of leasing agreement for the properties to generate rental income. At the date of transfer, the gain on revaluation of properties transferred from properties held for sale to investment properties amounting to RMB375,457,000 (2017:Nil) was recognised in profit or loss.

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

The fair value of the Group's investment properties as at 31 December 2018 and 2017 has been arrived at on the basis of a valuation carried out on the respective dates by DTZ, independent valuers not related to the Group.

For completed investment properties, the valuations have been arrived at using income capitalisation approach, where appropriate. The completed investment properties are valued by income capitalisation approach by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the respective properties.

For investment properties under construction or development that are measured at fair value, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

There has been no change to the valuation technique during the year.

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

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the level 3 fair value hierarchy as defined in IFRS 13, fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

At 31 December 2018, the Group's investment properties are measured at level 3 category of fair value measurement and during the year ended 31 December 2018, there were no transfers into or out of Level 3.

	Valuation Techniques	Key input	Range	Notes
Completed investment properties located in Mainland China	Income capitalisation approach	Capitalisation rates	3.5%–8.5%	(i)
		Average unit market rent	RMB30–RMB277 per sq.m per month	(ii)
Investment properties under development located in Mainland China	Direct comparison approach	Average market unit price	RMB8,000–RMB85,000 per sq.m	(ii)

Notes: Descriptions of the sensitivity in key inputs and interrelationship:

- (i) The fair value measurement is negatively correlated to the key input that a lower factor will result in a higher fair value.
- (ii) The fair value measurement is positively correlated to the key input that a higher factor will result in a higher fair value.

As at 31 December 2018, the Group has not obtained the State-owned Land Use Rights Certificate for the investment properties, which are amounted to RMB133,000,000 (as at 31 December 2017: RMB131,000,000).

As at 31 December 2018, investment properties with a total carrying value of RMB578,000,000 (as at 31 December 2017: RMB571,000,000) were pledged as collateral for the Group's borrowings.

17. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Cost of unlisted investments in associates	236,915	7,971
Share of post-acquisition profits, net of dividends received	(30,361)	(1,887)
	<u>206,554</u>	<u>6,084</u>

No associate was individually material to the Group for both years.

Details of each of the Group’s associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting power held by the Group as at 31 December	
			2018	2017
Shanghai Yingkun Investment Limited Partnership Corporation (“Shanghai Yingkun”) (note i)	Investing and consulting	Shanghai, the PRC	23%	23%
Guangxi Greenland Jinyao Property Co., Ltd (“Guangxi Jinyao”) (note ii)	Property development	Guangxi, the PRC	18%	18%
Guangxi Jiuquwan Automobile Industry Investment Limited (“Guangxi Jiuquwan”) (note iii)	Property development	Guangxi, the PRC	15%	15%
Guangxi Yulin Tongzhou Logistics Co., Ltd. (“Yulin Tongzhou”) (note iv)	Property development	Guangxi, the PRC	42.5%	–
Guangxi Yulin Tonghe Investment Co., Ltd. (“Yulin Tonghe”) (note iv)	Property development	Guangxi, the PRC	42.5%	–
Guangxi Yulin Tongxing Investment Co., Ltd. (“Yulin Tongxing”) (note iv)	Property development	Guangxi, the PRC	42.5%	–

- (i) Shanghai Yingkun is a limited partnership corporation. Shanghai Daokun Investment Management Co., Ltd, the subsidiary of the Group, is the general partner of Shanghai Yingkun. The Group is one of the four partners (including general and limited partners), while resolution about any partnership-related events is made in an one partner one vote approach, and must be approved by more than half of all partners. Profits and losses of Shanghai Yingkun are distributed in accordance with the subscription capital shares of the partners. Therefore, Shanghai Yingkun was recognised as an associate.
- (ii) In March 2017, Guangxi Jinyao was established by the Group and other two shareholders. The Group occupied 18% equity interests. According to the Articles of Association of Guangxi Jinyao, only one out of six directors of Guangxi Jinyao is appointed by the Group, while a valid board resolution requires half of the total votes. The Group thus does not have the power to control or jointly control Guangxi Jinyao. Therefore, Guangxi Jinyao was recognised as an associate.
- (iii) In December 2017, the Group acquired 15% equity interests of Guangxi Jiuquwan. According to the Articles of Association of Guangxi Jiuquwan, only one out of five directors of Guangxi Jiuquwan is appointed by the Group, while a valid board resolution requires half of the total votes. The Group thus does not have the power to control or jointly control Guangxi Jiuquwan. Therefore Guangxi Jiuquwan was recognised as an associate.
- (iv) In February 2018, the Group contributed 42.5% equity interests of Yulin Tongzhou, Yulin Tonghe and Yulin Tongxing. According to the Articles of Association of these companies, the Group appointed only one out of six directors of these three companies, while a valid board resolution requires half of the total votes. The Group thus does not have the power to control or jointly control these three companies. Therefore, these three companies were recognised as associates.

Aggregate information of associates that are not individually material:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Group's share of total losses for the year	<u>(15,354)</u>	<u>(999)</u>
Aggregate carrying amount of the Group's interests in these associates	<u>206,554</u>	<u>6,084</u>

The Group has discontinued recognition of its share of losses of certain associates as its share of losses of those associates equals or exceeds its interests in the associate. The amounts of unrecognised share of losses of these associates, both for the year and cumulatively, are as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Unrecognised share of losses of associates for the year	<u>4,886</u>	<u>600</u>
Accumulated unrecognised share of losses of associates	<u>5,486</u>	<u>600</u>

18. INTERESTS IN JOINT VENTURES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cost of unlisted investments in joint ventures	133,307	361,807
Share of post-acquisition profits, net of dividends received	<u>486,037</u>	<u>324,606</u>
	<u>619,344</u>	<u>686,413</u>

Details of the Group's joint ventures at the end of reporting period is as follows:

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting power held by the Group as at 31 December	
			2018	2017
Forever Rich Enterprise Limited ("Forever Rich")	Property development	Suzhou, Jiangsu Province, the PRC	50%	50%
Haikou Chengjian Green Island Landscape Engineering Co., Ltd ("Haikou Chengjian") (note)	Landscape engineering	Haikou, Hainan Province, the PRC	32.5%	32.5%

Note: In March 2016, Haikou Chengjian was established by the Group and other two shareholders. The Group occupied 32.5% equity interests. According to the Articles of Association of Haikou Chengjian, the Group and other shareholders jointly control Haikou Chengjian. Therefore, Haikou Chengjian is recognised as a joint venture.

Summarised financial information of a material joint venture

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Forever Rich

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Current assets	<u>3,465,555</u>	<u>1,747,608</u>
Non-current assets	<u>413,525</u>	<u>233,235</u>
Current liabilities	<u>2,748,910</u>	<u>717,177</u>

The above amounts of assets and liabilities include the following:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Bank balance and cash	<u>1,269,942</u>	<u>160,788</u>

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	<u>1,041,975</u>	<u>894,636</u>
Profit and total comprehensive income for the year	<u>323,505</u>	<u>280,286</u>

The above profit for the year includes the following:

Depreciation and amortisation	309	315
Finance income	33,469	26,233
Income tax expense	<u>108,214</u>	<u>93,503</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Net assets of Forever Rich	1,130,170	1,263,666
Proportion of the Group's ownership interest in Forever Rich	<u>50%</u>	<u>50%</u>
Carrying amount of the Group's interest in Forever Rich	<u>565,085</u>	<u>631,833</u>

Aggregate information of the joint venture that is not individually material:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Group's share of total losses for the year	<u>(321)</u>	<u>(647)</u>
Aggregate carrying amount of the Group's interest in the joint venture	<u>54,259</u>	<u>54,580</u>

19. TRADE, OTHER RECEIVABLES AND ADVANCE DEPOSITS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade receivables		
– due from related parties	5,522	3,869
– due from non-related parties	<u>278,372</u>	<u>169,584</u>
	283,894	173,453
Less: allowance for doubtful debts	<u>(41,405)</u>	<u>(25,735)</u>
Trade receivables, net off allowance for doubtful debts	242,489	147,718
Other non-trade receivables		
– due from related parties (<i>note i</i>)	10,688,157	6,463,627
– due from non-related parties (<i>note ii</i>)	2,601,032	1,977,481
– consideration receivable due from a related party	<u>903,913</u>	<u>–</u>
	14,193,102	8,441,108
Less: allowance for doubtful debts	<u>(187,400)</u>	<u>(43,400)</u>
Other non-trade receivables, net off allowance for doubtful debts	14,005,702	8,397,708
Advance payments to contractors	894,739	1,603,102
Advance to related parties	138,319	513,637
Advance deposits for acquisition of land use rights	1,119,312	1,120,000
Other tax prepayments (<i>note iii</i>)	<u>1,137,894</u>	<u>786,005</u>
Total	<u>17,538,455</u>	<u>12,568,170</u>

Notes:

- (i) The receivables due from related parties are unsecured and repayable on demand.
- (ii) Non-trade receivable balances, deposits and advances to third parties are expected to be settled or recovered within one year.
- (iii) Other tax prepayments mainly represent prepayment of value-added tax, tax surcharge during the pre-sale stage of certain properties.

In general, the Group provides no credit term to its customers.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice dates:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
0-90 days	169,739	138,287
91-180 days	6,673	622
181-365 days	5,747	3,656
Over 365 days	60,330	5,153
	242,489	147,718

Movement in the allowance for doubtful debts

	2017 <i>RMB'000</i>
At 1 January	69,265
Amounts written off as uncollectible	(130)
At 31 December	69,135

20. TRADE AND OTHER PAYABLES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Payables due to related parties		
– trade related	744,750	64,817
– non-trade related	12,963,598	4,966,070
	13,708,348	5,030,887
Trade payables	11,177,086	9,361,992
Payable on purchase of land use right	620,555	620,555
Consideration payable on acquisition of subsidiaries	–	274,484
Other taxes payable	209,390	173,190
Interest payable	96,579	161,951
Dividends payable	240	234
Other payables and accrued expenses	3,673,489	1,325,424
	15,777,339	11,917,830
Total	29,485,687	16,948,717

The aged analysis of trade payables due to related parties and the third parties is stated as follows:

	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
0-90 days	9,312,288	7,074,106
91-180 days	637,596	290,866
181-365 days	462,261	881,354
Over 365 days	1,509,691	1,180,483
	<u>11,921,836</u>	<u>9,426,809</u>

21. BONDS

On 23 January 2014, the Company issued 5.50% bonds due 2018 (the “A Bond”) with an aggregated nominal value of RMB1,500,000,000 at a value equal to 99% of the face value. The A Bond is listed on the Hong Kong Stock Exchange. The Bond carries interest at the rate of 5.50% per annum, payable semi-annually on 23 January and 23 July in arrears. The A Bond matured and repaid on 23 January 2018.

On 28 July 2016, the Company issued 3.875% bonds due 2019 (the “B Bond”) with an aggregated nominal value of USD450,000,000 at a value equal to 99.301% of the face value. The B Bond is listed on the Hong Kong Stock Exchange. The B Bond carries interest at the rate of 3.875% per annum, payable semi-annually on 28 January and 28 July in arrears and will mature on 28 July 2019. The net proceeds after deducting the direct issuance costs, amounted to approximately USD443,986,000 (equivalent to RMB2,956,815,000).

On 7 July 2017, the Company issued 4.50% bonds due 2018 (the “C Bond”) with an aggregated nominal value of USD400,000,000 at a value equal to 100% of the face value. The C Bond is listed on the Hong Kong Stock Exchange. The C Bond carries interest at the rate of 4.50% per annum, payable semi-annually on 7 January and 7 July in arrears. The C Bond matured and repaid on 5 July 2018.

On 27 June 2018, the Company issued 7.875% bonds due 2019 (the “D Bond”) with an aggregated nominal value of USD200,000,000 at a value equal to 100% of the face value. The D Bond is listed on the Hong Kong Stock Exchange. The D Bond carries interest at the rate of 7.875% per annum, payable semi-annually on 27 December and 27 June in arrears and will mature on 27 June 2019, unless redeemed earlier. The net proceeds after deducting the direct issuance costs, amounted to approximately USD199,347,000 (equivalent to RMB1,299,346,000).

On 17 December 2018, the Company issued 9.875% bonds due 2020 (the “E Bond”) with an aggregated nominal value of USD200,000,000 at a value equal to 100% of the face value. The E Bond is listed on the Hong Kong Stock Exchange. The E Bond carries interest at the rate of 9.875% per annum, payable semi-annually on 26 December and 25 June in arrears and will mature on 17 June 2020, unless redeemed earlier. The net proceeds after deducting the direct issuance costs, amounted to approximately USD199,219,000 (equivalent to RMB1,375,886,000).

The A Bond and B Bond have the benefit of a keepwell deed from Greenland Holdings Group Company Limited, the intermediate controlling shareholder of the Company.

The C Bond have an embedded issuer’s redemption option, the Company may, by giving not less than 15 nor more than 30 days’ notice to the trustee in writing and to the bondholders, redeem the bond, in whole or in part, at a redemption price equal to 101 percent of their principal amount, together with accrued and unpaid interest. The redemption option of the C bond was not realised before the repayment date.

The D Bond have an embedded issuer's redemption option, the Company may, by giving not more than 30 days' notice to the trustee in writing and to the bondholders, redeem the bond, in whole or in part, at a redemption price equal to 100 percent of their principal amount, together with accrued and unpaid interest.

The E Bond have an embedded issuer's redemption option, the Company may, by giving not less than 15 nor more than 30 days' notice to the trustee in writing and to the bondholders, redeem the bond, in whole or in part, at a redemption price equal to 100 percent of their principal amount, together with accrued and unpaid interest.

The directors consider the fair value of the issuer's redemption options of the D Bond and E Bond are immaterial to the Group as at 31 December 2018.

The movements of different components of Bonds are set out below:

	Total <i>RMB'000</i>
As at 31 December 2017	7,028,658
Net proceeds from bonds issued	2,675,232
Interests charged	263,424
Interests paid/payable	(243,254)
Repayment of bonds	(4,146,640)
Exchange realignment	240,595
	<hr/>
As at 31 December 2018	<u>5,818,015</u>

The Bonds represent the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate is 4.355%–10.162% per annum for the year ended 31 December 2018.

The Bonds was repayable as follows:

At 31 December	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Represented by		
Bonds within one year	<u>4,450,599</u>	<u>4,109,487</u>
Bonds		
After one year but within two years	<u>1,367,416</u>	<u>2,919,171</u>

22. PERPETUAL SECURITIES

On 27 July 2016 (the “Issue Date”), the Group issued USD denominated senior perpetual capital securities (“Perpetual Securities”) with an aggregate principal amount of USD120,000,000. The Perpetual Securities confer the holders a right to receive distributions at the applicable distribution rate from the Issue Date payable semi-annually in arrears in USD.

The principal terms of the Perpetual Securities were disclosed in the Group’s 2016 consolidated financial statements.

As the Perpetual Securities only impose contractual obligations on the Group to repay principal or to pay any distributions under certain circumstances which are at the Group’s discretion, they have in substance confer the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under IAS 32 Financial Instruments: Presentation. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends.

Distribution of USD6,750,000 (equivalent to RMB42,716,000) has been provided and paid by the Company for the year.

23. ACQUISITION OF A SUBSIDIARY

On 23 January 2018, the Group completed the acquisition of 70% interest in Zhaoqing Hengchang from an independent third party for cash consideration of RMB1,365,197,000. This acquisition has been accounted for using the acquisition method. Zhaoqing Hengchang is engaged in property development business and was acquired to continue the expansion of the Group’s property development business.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB’000</i>
Net assets acquired	
Bank balance and cash	13,160
Trade and other receivables	111,044
Properties under development	3,083,526
Property, plant and equipment	1,507
Land use rights	44,601
Contract liabilities	(152,498)
Trade and other payables	(566,914)
Deferred tax liabilities	(584,144)
	<hr/>
	1,950,282
Non-controlling interests	(585,085)
	<hr/>
	1,365,197
	<hr/>

No goodwill arose from the Zhaoqing Hengchang acquisition.

Non-controlling interest in Zhaoqing Hengchang recognised at the acquisition date was measured by reference to the proportionate share 30% of recognised amounts of net assets of Zhaoqing Hengchang and amounted to RMB585,085,000.

	<i>RMB'000</i>
Total consideration	
Cash	<u>1,365,197</u>

Net cash outflow arising on acquisition

	<i>RMB'000</i>
Cash consideration	1,365,197
Bank balance and cash acquired	<u>(13,160)</u>
	<u>1,352,037</u>

Impact of acquisition on the results of the Group

Included in the profit for the year, a loss amounting to approximately RMB14,606,000 was attributable to Zhaoqing Hengchang. Revenue for the year includes RMB162,908,000 revenue attributable to Zhaoqing Hengchang.

Had the acquisition of Zhaoqing Hengchang been effected at the beginning of the year, the total amount of revenue of the Group for the year would have been RMB15,444,672,000, and the amount of the profit for the year would have been RMB1,980,942,000. The proforma information is for illustrative purposes only and is not necessarily an indication results of operations of the Group that actually would have been achieved had that the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Zhaoqing Hengchang been acquired at the beginning of the year, the directors of the Company calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

24. DISPOSAL OF A SUBSIDIARY

On 30 September 2018, the Group disposed of its entire 100% equity interest in Nanchang Shenyang Property Co., Ltd. (“Nanchang Shenyang”) to Greenland Holdings for a cash consideration of approximately RMB1,970,501,000.

The effect of disposal of Nanchang Shenyang is analysed as follows:

	<i>RMB'000</i>
Property, plant and equipment	231
Properties under development	2,687,246
Trade, other receivables and advance deposits	4,313,113
Bank balance and cash	140,781
Tax recoverable	126,496
Deferred tax assets	131,269
Interest-bearing loans	(625,000)
Contract liabilities	(4,964,594)
Trade and other payables	(326,732)
	<hr/>
Net assets disposed of	1,482,810
	<hr/>
Gain on disposal of a subsidiary:	
Consideration	1,970,501
Net assets disposed of	(1,482,810)
	<hr/>
Gain on disposal of Nanchang Shenyang	487,691
	<hr/>
Net cash inflow arising on disposal:	
Total consideration	1,970,501
Bank balance and cash disposed of	(140,781)
Consideration receivable, included in other non-trade receivable due from related parties	(903,913)
	<hr/>
Proceeds from disposal of a subsidiary	925,807
	<hr/>

25. SUBSEQUENT EVENT

On 26 January 2019, the Group distributed the dividend of Perpetual Securities issued on 27 July 2016. The amount is USD3,375,000 (approximately RMB22,940,000).

BUSINESS REVIEW

Results

In 2018, the National Bureau of Statistics announced that the gross domestic product (“GDP”) grew by 6.6% year on year. Although the GDP achieved expected development goals of the Chinese government, it was the lowest economic growth rate of China in the past 28 years. In addition, the international situation was complicated. “Black swan” incidents such as Sino-US trade frictions and Fed rate hikes had followed. The economy of China continued to face downward pressure. The real estate market of the year performed diversely. In the first half of the year, despite a high level of pressure of regulatory policies, sales inertia was maintained. Indicators such as growth rates of investment development, new construction area and land acquisition area were still rapid. In the second half of the year, the real estate market experienced a cyclical decline. The sell-through rates of core first – and second-tier cities had different degrees of adjustment and the growth rate of land acquisition area had slowed down. Although the growth rate of investment development remained high, growth momentum was insufficient, reflecting that the property market experienced an adjustment period. Faced with the above challenges, the overall performance of the Group was still in line with expectations. For the year ended 31 December 2018 (“the year under review”), the total contracted sales amounted to approximately RMB37,925 million, representing a year-on-year increase of approximately 26%, and the contracted gross floor area (“GFA”) sold amounted to approximated 3,275,175 square meters, representing a year-on-year increase of approximately 44%.

During the year under review, the Group recorded a total revenue of approximately RMB15,444 million, an increase of approximately 6% from 2017. Profit for the year attributable to owners of the Company was approximately RMB1,736 million, representing a year-on-year increase of approximately 32%. Basic and diluted earnings per share attributable to the owners of the Company amounted to RMB0.61 compared with RMB0.46 per share in 2017.

In 2018, the total GFA sold and delivered was 1,027,967 square meters and the average selling price (“ASP”) was approximately RMB14,025 per square meter. The revenue derived from sales of properties and construction management service was approximately RMB14,831 million, representing a year-on-year increase of approximately 5% as compared with approximately RMB14,102 million in 2017. The details of completed and delivered properties in 2018 are as follows:

Item	City	Approximate area sold and delivered in 2018 <i>sqm</i>	Approximate sales recognized in 2018 <i>RMB'000</i>	Average selling price <i>RMB/sqm</i>
Property				
Greenland Central Culture Center	Haikou	205,466	2,588,931	12,600
Greenland Jiangnan Huafu	Suzhou	173,005	2,317,166	13,394
Greenland Nanning Central Plaza	Nanning	134,447	2,096,805	15,596
Greenland Huangpu Center	Shanghai	28,046	2,005,303	71,500
Greenland City	Haikou	121,763	1,060,419	8,709
Greenland Hai Chang Liu	Haikou	106,341	1,060,034	9,968
Greenland Hai Po Lan Ting	Kunming	46,799	753,664	16,104
Greenland Suzhou ONE	Suzhou	45,694	680,716	14,897
Greenland Yunduhui Square	Kunming	26,433	217,740	8,237
Greenland Seaside City	Shanghai	10,463	214,068	20,460
Greenland Lincoln Garden	Suzhou	18,483	199,989	10,820
Greenland Taiping Lake Resort	Huangshan	21,978	180,624	8,218
Greenland Forest Lake (Songlong Town)	Zhaoqing	16,474	161,706	9,816
Greenland Shanding Park	Taiyuan	15,585	158,963	10,200
Greenland Cifi City	Hangzhou	4,635	125,013	26,972
The Metropolitan	Kunming	9,106	113,629	12,478
Nanning Greenland Center	Nanning	9,612	112,216	11,675
Greenland Lakeside Villa	Xuzhou	11,458	108,460	9,466
Greenland International Huadu	Nanning	10,598	90,789	8,567
Greenland Emerald Bay	Changshu	2,483	38,349	15,445
Greenland Bihu International	Ningbo	2,013	34,998	17,386
Greenland The Florea	Haikou	4,310	31,219	7,243
Greenland Xi Shui Dong	Wuxi	889	30,065	33,819
Global 188	Suzhou	1,223	29,773	24,344
China Resources Greenland Triumph Arch	Xuzhou	279	3,644	13,061
Greenland Xiang Shu Hua Cheng	Kunming	384	2,707	7,049
Sub-total		1,027,967	14,416,990	14,025

Item	City	Approximate sales recognized in 2018 RMB'000
Carparking lot		
Greenland Nanning		
Central Plaza	Nanning	203,682
Greenland Hai Po Lan Ting	Kunming	50,076
Greenland City	Haikou	26,871
Greenland Jiangnan Huafu	Suzhou	23,959
Tiffany	Shanghai	23,933
China Resources • Greenland		
Triumph Arch	Xuzhou	19,360
Wuxiang Greenland Center	Nanning	17,333
The Metropolitan	Kunming	15,787
Greenland Xiang		
Shu Hua Cheng	Kunming	15,231
Greenland Xi Shui Dong	Wuxi	14,500
Greenland Yunduhui Square	Kunming	2,010
Greenland The Florea	Haikou	1,277
Oriental Garden	Shanghai	130
Greenland Bihu International	Ningbo	104
Cambridge Forest		
New Town	Shanghai	86
		<hr/>
Sub-total		414,339
		<hr/>
Total sales of properties		14,831,329
		<hr/>

Contracted Sales

Relying on the scale advantage and brand influence of the parent company, Greenland Holdings Corporation Limited (“Greenland Holdings” (600606.SH)), the Group continued to focus on real estate business to further develop and reserve high-quality land, deepened core cities of the Pan-Yangtze River Delta region and the Pan-Pearl River Delta region, and pursue ultimate product quality. In 2018, the Group recorded the total contracted sales of approximately RMB37,925 million, representing a year-on-year increase of approximately 26%, and the contracted GFA sold amounted to approximately 3,275,175 square meters, representing a year-on-year increase of approximately 44%. The average selling price for 2018 was RMB11,580 per square meters.

During the year under review, the bulk of contracted sales mainly derived from projects in Yangtze River Delta, Southwest China and Hainan Province, including those in Jiangsu, Guangxi, Yunnan and Hainan, which accounted for approximately 32%, 24%, 14% and 13% of the total contracted sales respectively. Other contracted sales mainly consisted of those derived from core projects in Zhejiang Province and Guangdong Province.

Strategic Cooperation

In March 2018, the Group officially announced the development strategy for healthcare industries. It would focus on healthcare businesses by leveraging its strong brand advantages and deploying cutting-edge healthcare resources at home and abroad to create a high-quality life and health service platform. In the meantime, the Group also partnered with Provectus Care, a renowned Australian elderly care company, and Shanghai International Medical Centre, a domestic top medical institution, to establish the first Shanghai-based medical institution focusing on Alzheimer’s disease, and to establish a high-end brand of old-age care, rehabilitation and nursing. In January 2019, Greenland Hong Kong Provectus Care Residence (“Provectus Care Residence”), a professional nursing center, was officially opened. It will provide professional, personalized and comprehensive international nursing services for the elderly with cognitive disorder. Provectus Care Residence in Shanghai is the important practice in the development of the Company’s medical and health care industry. With the insights in to the individual demands, the Company will take more personalized factors into account in the process of the property development.

In June 2018, the Group entered into the framework cooperation agreement on the comprehensive renovation projects in five shanty areas in Jiachengli with Liangxi Regional People’s Government of Wuxi. Jiachengli land parcel covers a site area of 221,300 sq.m., and is located in the southwestern side at the intersection of Qingyang Road and Zhenxin Road in Liangxi District, Wuxi. Based on Liangxi District’s industrial planning and development direction, the Group will exploit its own advantages in property development, urban planning and industrial resources to support Wuxi’s industrial transformation and upgrading. Meanwhile, the Group also signed a framework cooperation agreement on the renovation projects of old towns with Liangxi Regional People’s Government. With a total area of 300 mu, the project covered the land parcels in Zhenda Steel Pipe Factory, in the west to Er Mao Fang parcels, in Mao Lane and along Zhenxin Road. The Group would also render the services such as designing the development plan and investment promotion and advising on the project’s construction, development and operation in the renovation and upgrading of these land parcels.

In February 2019, the Group and the Government of Dantu District, Zhenjiang City, Jiangsu Province entered into a cooperation framework agreement to render consultant services for design, investment planning and project construction development of reconstruction and upgrading of the land parcel in relation to the urban renewal construction project, the intercity station project and the nationality characteristic town project. The cooperation will give full play to advantages of Greenland Hong Kong such as urban planning and design, construction of intercity station as well as education and healthcare sectors, etc. to help Dantu Xincheng equipped with a new development engine and assist Zhenjiang in achieving substantial improvement in urban cities, which will take an important step in realizing the goal of “Prosperity of Jiangsu” of Greenland Hong Kong. It will also be another major strategic layout in Nanjing metropolitan area.

Land Bank

During the year under review, the Group strategically and systematically increased land bank in core urban areas.

In January 2018, the Group won the bid for several plots of land for the project, located in Dongmeng Economic Development Zone in Nanning of the PRC with a total GFA of approximately 872,891 sq.m. for residential, commercial and office purpose. In the same month, the Group further acquired a plot of land located in Yulin City, Guangxi Province of the PRC, with a total GFA of approximately 999,414 sq.m. for residential and commercial purpose.

On 23 January 2018, the Group entered into the equity transfer agreement to acquire 70% of equity interest in Zhaoqing Hengchang Industrial Investment Co., Ltd., which holds the property project in Zhaoqing City, Guangdong Province of the PRC, at a total consideration of RMB1,855 million with a total GFA of approximately 1,585,000 sq.m. The Songlong Town Project situated at Huilong Town, Gaoyao District, Zhaoqing City for the residential and commercial and hotel use. This project will help the Group’s focus on its development advantages in Greater Bay Area and further consolidate its presence in the Pearl River Delta.

On 18 April 2018, the Group announced winning bid for five plots of land in Wujiaba sub-district, Guandu district, Kunming city, at a total consideration of approximately RMB3,426 million. The project occupied a site area of approximately 141,280 sq.m. with a planned GFA of approximately 863,186 sq.m.. The project will be a mixed development of residential, commercial, office and hotel, including 458-meter super highrise, to be the landmark of Kunming city and Yunnan province.

In May 2018, the Group won a bid for a land parcel in Wujiang District, Suzhou at a total consideration of approximately RMB135 million. This land parcel is adjacent to Greenland Jiangnan Huafu project of the Group. With a total GFA of approximately 22,000 sq.m, it’ll be developed into a residential and commercial project as the Phase III supportive part of Greenland Jiangnan Huafu project.

On 13 June 2018, the Group successfully won bid for Little Swan plot in Liangxi district, Wuxi city, at a total consideration of approximately RMB1,343 million. The project occupies a land area of 70,903 sq.m. with a planned GFA of approximately 191,000 sq.m. situated in the business core circle of Wuxi near the Fengxiang Road Viaduct. It is planned to be developed into a high-quality project in the urban core area.

On 15 June 2018, the Group further acquired a new plot of land, namely Health Home, in Liangxi district, Wuxi city, at a total consideration of RMB973 million. The land occupies a site area of 58,927 sq.m. with a planned GFA of approximately 155,000 sq.m.. The project is located in the downtown of Liangxi district, Wuxi, near the Company's another project, Greenland Xi Shui Dong. Surrounded by a variety of transportation, commercial, education, medical and landscape resources, the project is endowed with high development value for its advantages in location and abundant facilities.

On 30 June 2018, the Group successfully won bid for a land parcel in Xiangyang Yiwu at a total consideration of approximately RMB4,180 million. The project occupies a land area of 135,663 sq.m. with a planned GFA of approximately 264,563 sq.m. As the first entry into the mid-Zhejiang province, the project will be an urban complex including high-end commercial, luxury residential, boutique hotel, leisure and restaurants in the center of economics, politics, culture, and transportation in Yiwu, which shows the Group's determination to further develop in Zhejiang province.

On 4 September 2018, the Group successfully won bid for Shengzhou project at a total consideration of approximately RMB504 million. The project occupies a land area of 120,000 sq.m. with a GFA of approximately 232,272 sq.m. located at the core area of Pukou Eco-Tech development zone, Shengzhou of Shaoxing City, Zhejiang Province for residential and commercial purpose.

On 12 December 2018, the Group successfully bid and acquired new land parcels of Greenland Nanning Central Plaza for approximately RMB1.1355 billion. The land parcels cover an area of approximately 54,508 square meters with a planned gross floor area of approximately 287,935 square meters and an average floor price of approximately RMB3,943 per square meter, which will be developed as a complex for residential, commercial and office purpose.

On 7 March 2019, the Group won the bid for the land parcel in Dongmeng Economic and Technological Development Zone in Nanning, Guangxi Province at a total consideration of approximately RMB661 million, with a total GFA of approximately 911,000 sq.m. to be developed as Phase II of Greenland Dongmeng International Town. The construction of the project will facilitate the urban development, industrial integration, promotion of business and trading in Dongmeng Economic and Technological Development Zone in Nanning, so as to enhance the roles of Nanning city as the core city of Beibu Gulf, actively integrate into the "Belt and Road" and play an active role in the construction of the Guangdong-Hong Kong-Macao Greater Bay Area.

As at the date of this announcement, the Group held a land bank of approximately 20 million sq.m. mainly strategically located in the prime zones of major cities in the Pan-Yangtze River Delta and Pan-Pearl River Delta, which is sufficient to support its development in the next two to three years. The Group will continue to seek additional high-quality land projects with promising potential of development.

Offshore Financing

The Group issued USD200 million 7.875% bonds due 2019 and USD200 million 9.875% bonds due 2020 respectively in June and December 2018. The net proceeds from the issuance were mainly used for offshore debt refinancing.

Outlook

The Central Economic Work Conference in 2019 described that the economy of China maintained stable in the context of changes and concern and pointed out that the development of China was still and would be in an important strategic opportunity period in the long term. It also faced squarely the downward pressure on the economy of China. Regarding the real estate market, the Central Economic Work Conference proposed to build a long-term mechanism for healthy development of the real estate market and the concept of “housing is for living in, not for speculation” was particularly reiterated. With measures such as region-specific regulatory policies, category-specific guidance and reinforcement of main responsibility of the city government, housing market system and housing security system were improved. In the face of a volatile market environment in the future, Greenland Hong Kong will adhere to the philosophy of “creating a better lifestyle”, remain sensitive and far-reaching.

With the profound experience of operation in real estate, the Group will continuously penetrate into the core cities in Pan-Yangtze River Delta and Pan-Pearl River Delta, and meet the multilevel consumers’ demands in the real estate market. Meanwhile, the Group will also promote the business strategy of “Real Estate +”, establish property projects in sectors such as cultural, commercial and tourism as well as medical and healthcare, reduce cost and raise efficiency, optimize investment structure to enhance its competitiveness and market influence so as to lay a solid foundation for business development. 2019 is the 100th anniversary of the May Fourth Movement, the 70th anniversary of the founding of New China and a significant year of fully building a moderately prosperous society. Greenland Hong Kong will strive to seek opportunities in a difficult position, grasp a variety of management tasks by resolving various difficulties and promote the steady development of various businesses to contribute to the stable development of the economy of China.

The Group has interest-bearing borrowings denominated in US dollar and Hong Kong dollar, while the operating income is mainly denominated in RMB. During the year under review, the depreciation of RMB exchange rate posed pressure on the corporate financing cost and earnings performance. The Group’s financial results were also affected to a certain degree. Therefore, up to the date of this announcement the Company has signed forward foreign exchange contracts in the aggregate principal amount of US\$20 million to hedge against the exchange risk while reverting RMB to US dollar. The Company will continue to monitor the trend of exchange rate of RMB against US dollar, and take appropriate measures to hedge against the risk in foreign currency exchange.

FINANCIAL PERFORMANCE

Revenue

The total revenue of the Group increased by approximately 6% from approximately RMB14,619 million in 2017 to approximately RMB15,444 million in 2018, mainly due to the increase in the revenue arising from sales of properties and construction management service.

As the core business of the Group, the sales of properties generated a revenue of approximately RMB14,831 million in 2018 (2017: approximately RMB14,102 million), accounting for approximately 96% of the total revenue. The revenue of the Group from other segments included hotel operation income, property management and other related services, and rental income from leased properties.

	2018	2017	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of properties and construction management service	14,831,329	14,101,515	729,814
Property management and other services	426,923	343,675	83,248
Hotel and related services	134,541	137,361	(2,820)
Rental income	51,453	36,321	15,132
Total	<u>15,444,246</u>	<u>14,618,872</u>	<u>825,374</u>

Cost of Sales

Cost of sales increased by approximately 3% from approximately RMB11,028 million for 2017 to approximately RMB11,306 million. The cost of sales mainly comprised land costs, construction costs, capitalized finance costs and sales tax.

Gross Profit and Margin

Gross profit increased by approximately 15% to approximately RMB4,138 million from approximately RMB3,591 million in 2017, and margin rose from approximately 25% to approximately 27% during 2018.

Other Income, Other Gains and Losses and Other Operating Expenses

Other income, other gains and losses and other operating expenses decreased from a gain of approximately RMB285 million for 2017 to a loss of approximately RMB678 million for 2018, which was mainly due to the foreign exchange loss arising from the depreciation of Renminbi in 2018.

Operating Expenses

With the sustainable business development and expansion of the Group, selling and marketing costs increased from approximately RMB587 million in 2017 to approximately RMB811 million in 2018 while administrative expenses increased from approximately RMB438 million in 2017 to approximately RMB530 million in 2018.

Net Finance Costs

Net finance costs decreased from approximately RMB129 million in 2017 to approximately RMB114 million.

Gains on the Change in Fair Value of Investment Properties

The Group recorded fair value gains on investment properties of approximately RMB1,227 million for the year, as compared with a gain of approximately RMB329 million in 2017. The fair value gain was mainly attributable to gain on investment properties in Shanghai, Nanning and Kunming, the PRC.

Income Tax Expenses

Income tax increased to approximately RMB1,750 million in 2018 from approximately RMB1,420 million in 2017 mainly due to more corporation income tax and land appreciation tax provision for the property delivery with higher margin.

Profit for the Year Attributable to Owners of the Company

The Group's profit for the year attributable to owners of the Company amounted to approximately RMB1,736 million, an increase of approximately 32% compared with approximately RMB1,319 million in 2017.

Financial Position

As at 31 December 2018, the Group's total equity was approximately RMB13,945 million (31 December 2017: approximately RMB11,585 million), total assets amounted to approximately RMB90,230 million (31 December 2017: approximately RMB68,750 million) and total liabilities stood at approximately RMB76,285 million (31 December 2017: approximately RMB57,165 million).

Liquidity and Financial Resources

The Group's business operations, bank loans and cash proceeds raised have been the primary source of liquidity of the Group, which have been applied in business operations and investment in development projects.

As at 31 December 2018, net gearing ratio (total interest-bearing loans and bonds less cash and cash equivalents (including restricted bank deposits) over total equity) increased to a level of approximately 88% (31 December 2017: approximately 84%). Total cash and cash equivalents (including restricted cash) amounted to approximately RMB6,277 million, with total borrowings of approximately RMB18,503 million and an equity base of approximately RMB13,945 million.

Treasury Policy

The business transactions of the Group were mainly denominated in RMB. Apart from fund raising transactions in the capital market, there is limited exposure to foreign exchange risk.

The Group has established a treasury policy with the objective of enhancing the control over treasury functions and lowering the costs of funds. In providing funds to its operations, funding terms have been centrally reviewed and monitored at Group level.

To minimize the interest risk, the Group continued to closely monitor and manage its loan portfolio by its existing agreements' interest margin spread with market interest rates and offers from the banks.

Credit Policy

Trade receivables mainly arose from sale and lease of properties and are settled in accordance with the terms stipulated in the sale and purchase agreements and lease agreements.

Pledge of Asset

As at 31 December 2018, the Group pledged properties and time deposits with a carrying value of approximately RMB13 billion to secure bank facilities, and the total secured loan balance outstanding amounted to approximately RMB7 billion.

Financial guarantee

As at 31 December 2018, the Group provided guarantees to banks for:

	31 December 2018	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
Mortgage loan	11,561,273	9,922,333

Capital commitment

	31 December 2018 RMB'000	31 December 2017 RMB'000
Property under development and investment properties under development contracted but not provided in the consolidated financial statements	<u>13,487,602</u>	<u>11,138,547</u>

Human resources

As at 31 December 2018, the Group employed a total of 3,722 employees (31 December 2017: 3,153). The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to staff with an outstanding performance, share award schemes were adopted to attract and retain talent. The Group also provides various training programs to improve their skills and develop their respective expertise.

FINAL DIVIDEND

The Board of Directors has resolved to propose a 2018 final dividend of HKD0.2 per ordinary share, amounting to a total of approximately HKD558 million for the year ended 31 December 2018, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Friday, 28 June 2019 (the “AGM”). A notice convening the AGM will be published and despatched in due course to the shareholders of the Company (the “Shareholders”) in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The register of members of the Company will be closed from Tuesday, 25 June 2019 to Friday, 28 June 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 June 2019.

Subject to the approval of the Shareholders at the AGM, the proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Tuesday, 9 July 2019. In order to determine the identity of the Shareholders who are qualified to receive the proposed final dividend, the register of members of the Company will be closed on Friday, 5 July 2019 to Tuesday, 9 July 2019 (both days inclusive), during which period no transfer of shares will be effected. To qualify for the proposed 2018 final dividend, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 4 July 2019. The final dividend is expected to be payable on or around Monday, 29 July 2019.

CORPORATE GOVERNANCE

For the year ended 31 December 2018, the Company had complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules, except for code provisions A.2.1, A.4.2 and E.1.2 as described below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 1 January 2018 to 31 December 2018, Mr. CHEN Jun had undertaken the role of both chairman of the Board and chief executive officer of the Company. The Company considers that the combination of the roles is conducive to the efficient formulation and implementation of the Group's strategies and policies and such combination has not impaired the corporate governance practices of the Group. The balance of power and authority is ensured by the management of the Company's affairs by the Board which meets regularly to discuss and determine issues concerning the operations of the Group.

Code provision A.4.2 of the CG Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Pursuant to the Company's articles of association, any person appointed as a director by the Board shall stand for re-election at the next following annual general meeting of the Company. Such arrangement is considered appropriate in light of the requirement of paragraph 4(2) of Appendix 3 to the Listing Rules which requires that any person appointed by the directors to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. During the year under review, no director was appointed to fill any casual vacancy.

Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend annual general meetings. The chairman of the Board did not attend the annual general meeting of the Company held on 23 May 2018 due to other business commitments.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the repurchases of ordinary shares of the Company set out below, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018:

Month	Number of shares repurchased	Repurchase price		Aggregate consideration (HK\$)
		Highest price per share (HK\$)	Lowest price per share (HK\$)	
June	565,000	2.98	2.91	1,664,200
July	1,227,000	2.94	2.74	3,562,820

EVENTS AFTER THE REPORTING PERIOD

On 26 January 2019, the Group distributed the dividend of Perpetual Securities issued on 27 July 2016. The amount is USD3,375,000 (approximately RMB22,940,000).

REVIEW OF THE ANNUAL RESULTS

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018 in conjunction with the Company's auditor, Deloitte Touche Tohmatsu, and the management of the Company.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the HKEXnews website at www.hkexnews.hk and the Company's website at www.greenlandhk.com. The 2018 annual report of the Company will be available on the HKEXnews website and the Company's website, and will be despatched to the Shareholders in due course.

By Order of the Board
Greenland Hong Kong Holdings Limited
Chen Jun
Chairman

Hong Kong, 28 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Chen Jun, Mr. Wang Weixian, Mr. Hou Guangjun, Mr. Wu Zhengkui and Ms. Wang Xuling; and the independent non-executive Directors are Mr. Cheong Ying Chew, Henry, Mr. Fong Wo, Felix, JP, and Mr. Kwan Kai Cheong.

This announcement is made in English and Chinese. In case of any inconsistency, the English version shall prevail.