众安房产
ZHONG AN REAL ESTATE

# ZHONG AN REAL ESTATE LIMITED
# 眾安房產有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 672)**

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018


**SUMMARY**

- The recognised income in 2018 was approximately RMB5,169.4 million, representing an increase of 17.6% as compared to that of 2017
- The gross profit and gross profit margin in 2018 were RMB1,698.1 million and 32.8% respectively, which increased by 68.1% and up 9.8 percentage points as compared to those of 2017
- The profit for the year attributable to the owners of the parent in 2018 was RMB286.9 million, representing a decrease of 47.6% as compared to that of 2017, which was mainly due to the changes in fair value of investment properties which stayed flat in 2018 while a substantial gain in fair value of investment properties in 2017
- As of the end of 2018, the Group's total gearing ratio and net gearing ratio were 61.9% and 27.5% respectively, representing the increases of 2 and 15.1 percentage points as compared to those of 2017, which was due to further development of the business of the Group
- 5 plots of land were acquired in 2018 with a total GFA of 1,602,803 sq.m. and an average floor price of RMB1,981 per sq.m.
- The awards and accolades issued by the PRC government and recognised authorities to the Group during the year include Star of 2018 Top 100 China Real Estate Developers, 2018 Top 10 Hong Kong Listed Domestic Property Companies with Financial Stability, etc.

The board of directors (the "**Board**" or the "**Directors**") of Zhong An Real Estate Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 (the "**year**" or the "**year under review**"), together with the comparative figures for the corresponding year ended 31 December 2017, and such annual results have been reviewed by the audit committee of the Company:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2018*

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Revenue** | 4 | **5,169,369** | 4,395,117 |
| Cost of sales | | **(3,471,274)** | (3,385,190) |
| Gross profit | | **1,698,095** | 1,009,927 |
| Other income and gains | 4 | **81,546** | 109,276 |
| Selling and distribution expenses | | **(259,158)** | (269,631) |
| Administrative expenses | | **(429,205)** | (302,104) |
| Other expenses | | **(86,523)** | (25,517) |
| Finance costs | 5 | **(114,693)** | (41,426) |
| Fair value (loss)/gain upon transfer to investment properties | | **(25,030)** | 523 |
| Changes in fair value of investment properties | | **21,169** | 825,362 |
| Share of profits and losses of: | | | |
| Joint ventures and an associate | | **(2,629)** | (4,371) |
| **Profit before tax** | 6 | **883,572** | 1,302,039 |
| Income tax expense | 7 | **(520,509)** | (493,635) |
| **Profit for the year** | | **363,063** | 808,404 |
| Attributable to: | | | |
| Owners of the parent | | **286,881** | 547,435 |
| Non-controlling interests | | **76,182** | 260,969 |
| | | **363,063** | 808,404 |
| **Earnings per share attributable to ordinary equity holders of the parent** | 8 | | |
| Basic | | **RMB5 cents** | RMB10 cents |
| Diluted | | **RMB5 cents** | RMB10 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2018*

| | 2018 | 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Profit for the year** | **363,063** | 808,404 |
| **Other comprehensive income** | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange difference: | | |
| Exchange differences on translation of foreign operations | **23,868** | (2,545) |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | **23,868** | (2,545) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Equity investments designated at fair value through other comprehensive income: | | |
| Changes in fair value | **9,000** | – |
| Income tax effect | **(2,250)** | – |
| Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods | **6,750** | – |
| Total comprehensive income for the year | **393,681** | 805,859 |
| Attributable to: | | |
| Owners of the parent | **318,763** | 541,870 |
| Non-controlling interests | **74,918** | 263,989 |
| | **393,681** | 805,859 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2018*

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | | **2,116,482** | 2,059,812 |
| Investment properties | | **5,502,607** | 5,475,911 |
| Properties under development | | **1,157,623** | 1,857,179 |
| Restricted cash | | **49,558** | 139,927 |
| Available-for-sale investments | | – | 367,653 |
| Equity investments designated at fair value through other comprehensive income | | **423,605** | – |
| Long term prepayments | | **706,929** | 236,665 |
| Investments in joint ventures | | – | 629 |
| Deferred tax assets | | **52,745** | 101,062 |
| Total non-current assets | | **10,009,549** | 10,238,838 |
| **Current assets** | | | |
| Completed properties held for sale | | **4,231,066** | 3,528,806 |
| Properties under development | | **7,352,963** | 4,416,081 |
| Inventories | | **29,731** | 17,431 |
| Trade and bills receivables | *9* | **56,029** | 64,239 |
| Prepayments, other receivables and other assets | | **950,141** | 764,020 |
| Financial assets at fair value through profit or loss | | **76,635** | 72,298 |
| Loans to a joint venture | | **67,304** | – |
| Loans to an associate | | **175,300** | – |
| Restricted cash | | **551,461** | 790,733 |
| Cash and cash equivalents | | **1,539,762** | 2,502,367 |
| Investment properties classified as held for sale | | **25,993** | 202,889 |
| Total current assets | | **15,056,385** | 12,358,864 |
| **Current liabilities** | | | |
| Advance from joint ventures | | **228,293** | 108,520 |
| Trade payables | *10* | **1,700,198** | 1,747,904 |
| Other payables and accruals | | **916,793** | 636,930 |
| Contract liabilities | | **4,452,309** | – |
| Advances from customers | | – | 4,573,014 |
| Interest-bearing bank and other borrowings | | **1,384,960** | 1,627,419 |
| Tax payable | | **1,198,762** | 785,661 |
| Total current liabilities | | **9,881,315** | 9,479,448 |
| **Net current assets** | | **5,175,070** | 2,879,416 |
| **Total assets less current liabilities** | | **15,184,619** | 13,118,254 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*31 December 2018*

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Non-current liabilities** | | |
| Interest-bearing bank and other borrowings | **3,383,125** | 2,932,000 |
| Deferred tax liabilities | **995,486** | 1,127,090 |
| Other non-current liabilities | **1,255,889** | – |
| Total non-current liabilities | **5,634,500** | 4,059,090 |
| **Net assets** | **9,550,119** | 9,059,164 |
| **Equity** | | |
| Equity attributable to owners of the parent | | |
| Share capital | **514,342** | 516,469 |
| Reserves | **7,240,868** | 6,934,889 |
| | **7,755,210** | 7,451,358 |
| **Non-controlling interests** | **1,794,909** | 1,607,806 |
| **Total equity** | **9,550,119** | 9,059,164 |

# NOTES TO FINANCIAL STATEMENTS

## 1. GENERAL

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments which have been measured at fair value as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### 2.1 Application of new and revised IFRSs

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

| | |
|---|---|
| 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* |
| IFRS 9 | *Financial Instruments* |
| IFRS 15 | *Revenue from Contracts with Customers* |
| Amendments to IFRS 15 | *Clarifications to IFRS 15 Revenue from Contracts with Customers* |
| IFRIC 22 | *Foreign Currency Transactions and Advance Consideration* |
| Amendments to IAS 40 | *Transfers of Investment Property* |
| Amendments to IFRS 1 included in *Annual Improvements 2014-2016 Cycle* | *First-time Adoption of International Financial Reporting Standards* |
| Amendments to IAS 28 included in *Annual Improvements 2014-2016 Cycle* | *Investments in Associates and Joint Ventures* |

Except for the amendments to IFRS 4 and *Annual Improvements to IFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

*Classification and measurement*

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the change of the carrying amounts under IAS 39 and the balances reported under IFRS 9, which had effect on financial accounting, as at 1 January 2018 is as follows:

| | | **IAS 39 measurement** | | | | | **IFRS 9 measurement** | |
|---|---|---|---|---|---|---|---|---|
| | *Notes* | **Category** | **Amount** *RMB'000* | **Re-classification** | **ECL** | **Other** | **Amount** *RMB'000* | **Category** |
| **Financial assets** | | | | | | | | |
| Equity investments designated at fair value through other comprehensive income | | N/A | – | 367,653 | – | – | 367,653 | FVOCI[1] (equity) |
| From: | | | | | | | | |
| Available-for-sale investments | *(i)* | AFS[2] | 367,653 | (367,653) | – | – | – | |
| Trade receivables | *(ii)* | L&R[3] | 64,239 | – | – | – | 64,239 | AC[4] |
| Financial assets included in prepayments, other receivables, and other assets | | L&R | 376,956 | – | – | – | 376,956 | AC |
| Long term prepayments | | L&R | 73,469 | – | – | – | 73,469 | AC |
| Financial assets at fair value through profit or loss | | FVPL[5] | 72,298 | – | – | – | 72,298 | FVPL (mandatory) |
| Restricted cash | | L&R | 930,660 | – | – | – | 930,660 | AC |
| Cash and cash equivalents | | L&R | 2,502,367 | – | – | – | 2,502,367 | AC |
| Total assets | | | 4,387,642 | | | | 4,387,642 | |

[1] FVOCI: Financial assets at fair value through other comprehensive income
[2] AFS: Available-for-sale investments
[3] L&R: Loans and receivables
[4] AC: Financial assets or financial liabilities at amortised cost
[5] FVPL: Financial assets at fair value through profit or loss

*Notes:*

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The gross carrying amounts of the trade receivables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.1(c) to the financial statements.

*Impairment*

The adoption of IFRS 9 has had no significant loss on the impairment of the financial assets of the Group.

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 4 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition to the financial statements.

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

The cumulative effect of the initial application of IFRS 15 was not material and no adjustment was made to the opening balance of retained profits as at 1 January 2018. The comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The detailed changes upon adoption of IFRS 15 are described below:

*Accounting for revenue from sale of properties*

Prior to the adoption of IFRS 15, the Group accounted for revenue from the sale of properties when significant risks and rewards of ownership have been transferred to the customers on delivery in their entirety at a single time upon vacant possession.

Under IFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

After the assessment, the Group has considered that it has an enforceable right to payment from the purchasers for performance completed to date for few properties only. Majority of revenue from the sale of properties will continue to be recognised at a point in time, when the purchasers obtain control of the properties, ie. when the purchasers obtain the physical possession or the legal title of the completed properties and the Group has a present right to payment from the purchasers. The adoption of IFRS 15 has had no significant impact on the timing of revenue recognition.

*Accounting for significant financing component for sales of properties*

Prior to the adoption of IFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance from customers in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of IFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. In addition, reclassifications have been made from advance from customers to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of IFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018. Receipts in advance of RMB4,573,014,000 that were previously classified under advance from customers has been reclassified to contract liabilities as at 1 January 2018.

*Accounting for sales commissions*

Prior to the adoption of IFRS 15, the Group expensed off the sales commission associated with obtaining agreement for sale and purchase with property buyers. Upon adoption of IFRS 15, sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in other assets. Capitalised sales commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and marketing expenses at that time. The Group elected to apply the practical expedient and did not recognise the effects of the sales commission if the time period is one year or less. The adoption of IFRS 15 has had no significant impact on the opening retained profits as at 1 January 2018. Sales commissions of RMB 39,047,000 as a type of an incremental cost were capitalised for the twelve months to 31 December 2018.

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

(e) IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

### 2.2 Issued but not yet effective International Financial Reporting Standards

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

| | |
|---|---|
| Amendments to IFRS 3 | *Definition of a Business*[2] |
| IFRS 16 | *Leases*[1] |
| IFRS 17 | *Insurance Contracts*[3] |
| IFRIC 23 | *Uncertainty over Income Tax Treatments*[1] |
| 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*[4] |
| Amendments to IAS 19 | *Plan Amendment, Curtailment or Settlement*[1] |
| Amendments to IAS 28 | *Long-term Interests in Associates and Joint Ventures*[1] |
| *Annual Improvements 2015-2017 Cycle* | Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1] |
| Amendments to IAS 1 and IAS 8 | *Definition of Material*[2] |

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

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on income derived from business and has two reportable operating segments as follows:

(a) the residential segment develops and sells residential properties, and provides management and security services to residential properties in Mainland China and Canada;

(b) the commercial segment develops and sells commercial properties, leases investment properties, owns and operates hotels and provides management and security services to commercial properties in Mainland China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of profit/loss before tax from continuing operations. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

| **Year ended 31 December 2018** | **Residential** *RMB'000* | **Commercial** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| **Segment revenue:** | | | |
| Sales to external customers | | | |
| Property development | | | |
| – Residential | **2,557,565** | **–** | **2,557,565** |
| – Office and Commercial | **111,751** | **1,565,637** | **1,677,388** |
| – Carpark | **416,072** | **12,810** | **428,882** |
| | **3,085,388** | **1,578,447** | **4,663,835** |
| Property management and other related services | **140,240** | **74,475** | **214,715** |
| Hotel operations | **–** | **111,328** | **111,328** |
| | **3,225,628** | **1,764,250** | **4,989,878** |
| Property leasing income | **19,122** | **160,369** | **179,491** |
| | **3,244,750** | **1,924,619** | **5,169,369** |
| Intersegment sales | **800** | **–** | **800** |
| Sales to external customers | **3,245,550** | **1,924,619** | **5,170,169** |
| *Reconciliation:* | | | |
| Elimination of intersegment sales | | | **(800)** |
| Revenue from continuing operations | | | **5,169,369** |

| | Residential<br>*RMB'000* | Commercial<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|
| **Segment results** | **1,014,386** | **(130,814)** | **883,572** |
| **Segment assets** | **12,821,255** | **13,231,588** | **26,052,843** |
| *Reconciliation:* | | | |
| Elimination of intersegment receivables | | | **(986,909)** |
| Total assets | **11,834,346** | **13,231,588** | **25,065,934** |
| **Segment liabilities** | **8,206,811** | **7,333,545** | **15,540,356** |
| *Reconciliation:* | | | |
| Elimination of intersegment payables | | | **(24,541)** |
| Total liabilities | **8,182,270** | **7,333,545** | **15,515,815** |
| **Other segment information:** | | | |
| Share of loss of: | | | |
| joint ventures and an associate | **2,629** | **–** | **2,629** |
| Impairment losses recognised in the statement of profit or loss | **(28,235)** | **–** | **(28,235)** |
| Depreciation | **10,140** | **49,671** | **59,811** |
| Capital expenditure | **4,072** | **126,776** | **130,848** |

| Year ended 31 December 2017 | Residential | Commercial | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Segment revenue:** | | | |
| Sales to external customers | 4,099,131 | 295,986 | 4,395,117 |
| Intersegment sales | 800 | – | 800 |
| Sales to external customers | 4,099,931 | 295,986 | 4,395,917 |
| *Reconciliation:* | | | |
| Elimination of intersegment sales | | | (800) |
| Revenue from continuing operations | | | 4,395,117 |
| **Segment results** | 549,949 | 752,090 | 1,302,039 |
| **Segment assets** | 10,039,749 | 13,254,174 | 23,293,923 |
| *Reconciliation:* | | | |
| Elimination of intersegment receivables | | | (696,221) |
| Total assets | | | 22,597,702 |
| **Segment liabilities** | 6,332,009 | 7,245,818 | 13,577,827 |
| *Reconciliation:* | | | |
| Elimination of intersegment payables | | | (39,289) |
| Total liabilities | | | 13,538,538 |
| **Other segment information:** | | | |
| Share of loss of: | | | |
| a joint venture | 4,371 | – | 4,371 |
| Impairment losses recognised in the statement of profit or loss | (1,213) | – | (1,213) |
| Depreciation | 14,675 | 17,191 | 31,866 |
| Investments in joint ventures | 629 | – | 629 |
| Capital expenditure | 55,600 | 252,834 | 308,434 |

**Geographical information**

All of the Group's revenue is derived from customers based in Mainland China, and all of the non-current assets of the Group are located in Mainland China, except one property in Japan and one property in Canada.

**Information about major customers**

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the years ended 2017 and 2018.

## 4. REVENUE, OTHER INCOME AND GAINS

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

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue from contracts with customers | | |
| – Sale of properties | **4,663,835** | 4,134,848 |
| – Hotel operating income | **111,328** | 66,815 |
| – Property management fee income | **214,715** | 118,024 |
| Revenue from other sources | | |
| – Property leasing income | **179,491** | 75,430 |
| | **5,169,369** | 4,395,117 |

**Revenue from contracts with customers**

**(i) Disaggregated revenue information**

**For the year ended 31 December 2018**

*Timing of revenue recognition*

| | **Property development** | **Property management and other related services** | **Hotel operations** | **Total** |
|---|---|---|---|---|
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| At a point in time | **4,663,835** | **–** | **111,328** | **4,775,163** |
| Over time | **–** | **214,715** | **–** | **214,715** |
| Total revenue from contracts with customers | **4,663,835** | **214,715** | **111,328** | **4,989,878** |

Revenue from sales of properties recognised that was included in contract liabilities at the beginning of the reporting period is amounted to RMB2,500,481,000.

| | 2018 | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Bank interest income | **32,857** | 24,383 |
| Subsidy income* | **3,005** | 1,724 |
| Investment income | **28,516** | 823 |
| Change in fair value of financial assets at fair value through profit or loss | **–** | 1,002 |
| Others | **17,168** | 17,098 |
| | **81,546** | 45,030 |
| **Gains** | | |
| Gain on disposal of investment properties | **–** | 61,991 |
| Foreign exchange gain | **–** | 2,255 |
| | **–** | 64,246 |
| | **81,546** | 109,276 |

* There are no unfulfilled conditions or contingencies relating to these grants.

There was no significant impact on revenue recognition under IFRS 15 during the year.

## 5. FINANCE COSTS

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

| | 2018 | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank borrowings | **285,737** | 257,479 |
| Interest on other borrowings | **1,886** | 68,166 |
| Total interest expense | **287,623** | 325,645 |
| Less: Interest capitalised in properties under development | **(172,930)** | (284,219) |
| | **114,693** | 41,426 |

## 6. PROFIT BEFORE TAX

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

| | 2018 | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of properties sold | **3,101,029** | 3,220,810 |
| Depreciation | **59,811** | 31,866 |
| Minimum lease payments under operating leases: | | |
| – Office premises | **56,243** | 9,568 |
| Auditors' remuneration | **2,520** | 2,320 |
| Staff costs including directors' and chief executive's remuneration: | | |
| – Salaries and other staff costs | **224,745** | 198,477 |
| – Pension scheme contributions | **29,848** | 22,508 |
| Foreign exchange differences, net | **968** | (2,255) |
| Direct operating expenses (including repairs and maintenance arising on investment properties) | **3,514** | 3,553 |
| Loss/(gain) on disposal of investment properties | **28,576** | (61,991) |
| Fair value losses/(gains), net: | | |
| Changes upon transfer to investment properties | **25,030** | (523) |
| Changes in fair value of investment properties | **(21,169)** | (825,362) |
| Changes in fair value of financial assets at fair value through profit or loss | **30,586** | (1,002) |
| Investment income from financial assets at fair value through profit or loss | **(28,516)** | (823) |
| Provision of completed properties held for sale to net realisable value | **28,235** | – |
| Realisation of properties under development to net realisable value | **–** | (1,213) |

## 7. INCOME TAX

The Group's subsidiaries incorporated in Hong Kong and Canada are not liable for income tax as they did not have any assessable profits arising in Hong Kong and Canada during the year (2017: Nil).

The provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2017: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

| | 2018 | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current – PRC corporate income tax for the year | **267,860** | 179,955 |
| Current – PRC LAT for the year | **346,835** | 169,954 |
| Deferred | **(94,186)** | 143,726 |
| Total tax charge for the year | **520,509** | 493,635 |

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB286,881,000 (2017: RMB547,435,000) and the weighted average number of ordinary shares of 5,819,122,482 (2017: 5,311,316,200) in repurchase and exercise of share option during the year, as adjusted to reflect the rights repurchased and exercised during the year.

The calculation of basic earnings per share is based on:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent | **286,881** | 547,435 |

| | **Number of shares** | |
|---|---|---|
| | **2018** | 2017 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year | **5,819,122,482** | 5,311,316,200 |

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2018 and 2017 in respect of a dilution at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares, which had no significant dilutive effect, during the year ended 31 December 2018 (2017: Nil).

## 9. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly lease receivables on credit. The credit period is generally one month, extending up to three months for major customers. All balances of the trade receivables as at the end of the year were neither past due nor impaired and aged within one to three months, and are expected to be recovered within one year. The Group assessed that there is no significant loss allowance recognised in accordance with the ECL model under IFRS 9 as at 31 December 2018.

Trade and bills receivables are non-interest-bearing and unsecured.

## 10. TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the payment due dates, is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within six months | **1,579,485** | 1,541,738 |
| Over six months but within one year | **70,590** | 153,441 |
| Over one year | **50,123** | 52,725 |
| | **1,700,198** | 1,747,904 |

The above balances are unsecured and interest-free and are normally settled based on the progress of construction.

## 11. DIVIDENDS

No dividends were declared or paid by the Company during the year ended 31 December 2018 (2017: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

The audited consolidated revenue of the Group for 2018 was RMB5,169.4 million, representing an increase of about 17.6% from that of 2017. The gross profit for 2018 was RMB1,698.1 million, representing an increase of about 68.1% from that of 2017. The profit attributable to owners of the parent for 2018 was about RMB286.9 million, representing a decrease of about 47.6% from that of 2017. The basic earnings per share was RMB0.05 (2017: RMB0.10).

### Industry Review

The GDP of the PRC reached RMB90,030.9 billion in 2018, representing a growth of 6.6% as compared with that of previous year and matched the expected target of around 6.5%. With the in-depth promotion of supply-side structural reform in 2018, the "three cuts, one reduction and one reinforcement" remained effective. Meanwhile, with the in-depth deleverage in the financial system, the monetary policy of the central bank remained generally steady and neutral in 2018.

According to the National Bureau of Statistics of the PRC, in 2018, the nationwide investment in property development amounted to RMB12,026.4 billion, representing a growth of 9.5% as compared with that of last year. Among which, residential investment amounted to RMB8,519.2 billion, representing a growth of 13.4%. The residential investment accounted for a proportion of 70.8% of the investment in property development. In 2018, the gross floor area (GFA) of commodity properties sold was 1,716.54 million sq.m., representing an increase of 1.3% as compared with that of last year. Among which, the growth of GFA of residential properties sold was 2.2%, while the decline of GFA of office buildings sold and commercial business properties sold were 8.3% and 6.8% respectively. The sales of commodity properties amounted to RMB14,997.3 billion, representing a growth of 12.2%. Among which, the growth of sales of residential properties and commercial business properties were 14.7% and 0.7% respectively, while the decline of sales of office buildings was 2.6%.

In 2018, the land area purchased by property development enterprises was 291.42 million sq.m., representing a growth of 14.2% as compared with that of last year; the premium of the land transaction amounted to RMB1,610.2 billion, representing a growth of 18.0% as compared with that of last year. The area under construction by property development enterprises was 8,223.00 million sq.m., representing a growth of 5.2% as compared with that of last year. Among which, the area under construction for residential properties was 5,699.87 million sq.m., representing a growth of 6.3%. The area of newly commenced properties was 2,093.42 million sq.m., representing a growth of 17.2%. Among which, the area of newly commenced residential properties was 1,533.53 million sq.m., representing a growth of 19.7%. The completed construction area of properties was 935.50 million sq.m., representing a drop of 7.8%. Among which, the completed construction area of residential properties was 660.16 million sq.m., representing a drop of 8.1%. At the end of 2018, the area of commodity properties pending for sale was 524.14 million sq.m., representing a decrease of 2.14 million sq.m. as compared with the end of November of the same year and also representing a drop of 65.10 million sq.m. as compared with the end of last year. Among which, as compared with the end of November of the same year, the area of residential properties pending for sale decreased by 3.93 million sq.m, the area of office buildings pending for sale increased by 0.93 million sq.m. and the area of commercial business properties pending for sale decreased by 1.66 million sq.m..

## Business Review

The recognised revenue of properties sold and delivered by the Group in 2018 was about RMB4,663.8 million (2017: RMB4,134.8 million), representing an increase of about 12.8% as compared to that of 2017 which was due to the increase of market price of the properties delivered by the Group in the year under review.

The GFA of properties sold and delivered by the Group in 2018 was about 341,756 sq.m. (2017: 400,769 sq.m.), representing a decrease of about 14.7% as compared to that of 2017.

The recognised average selling price per sq.m. achieved by the Group in 2018 was about RMB13,646.6, representing an increase of about 32.3% from RMB10,317.2 in the previous year. It is due to the greater increase in selling prices in the market and substantial increase in the portion of sales of properties with higher selling prices in the year under review.

During the year under review, the total recognised GFA sold for the major projects of the Group and the respective recognised revenue are as follows:

| **Projects** | **Recognised GFA** | **Recognised revenue** | **Percentage of interest in the project attributable to the Group** |
|---|---|---|---|
| | *sq.m.* | *RMB million* | |
| **Zhejiang Province** | | | |
| **Hangzhou** | | | |
| Landscape Bay | 1,002 | 20.6 | 92.6% |
| Hidden Dragon Bay | 721 | 8.9 | 64.0% |
| Jiarun Mansion | 14,072 | 463.1 | 51.9% |
| White Horse Palace | 28,669 | 747.0 | 90.0% |
| White Horse Manor | 8,710 | 144.5 | 90.0% |
| Ideal Bay | 31,500 | 484.7 | 45.9% |
| Chaoyang No. 8 | – | 21.4 | 90.0% |
| Chaoyang Yinzuo | 32,470 | 404.1 | 62.3% |
| Xixi Manhattan | 17,680 | 287.3 | 31.8% |
| College Square | 69,711 | 762.9 | 90.0% |
| Royal Bay (Onshore Blue Mountain) | 15,212 | 310.8 | 90.0% |
| **Yuyao** | | | |
| Dragon Bay | 7,725 | 203.3 | 90.0% |
| Jade Mansion | 3,098 | 26.7 | 93.0% |
| Zhong An Times Square (Phase II) | 5,827 | 92.0 | 64.4% |
| Zhong An Times Square (Phase I) | 41,877 | 329.7 | 62.3% |

| Projects | Recognised GFA | Recognised revenue | Percentage of interest in the project attributable to the Group |
|---|---|---|---|
| | *sq.m.* | *RMB million* | |
| **Cixi** | | | |
| Cixi Zhong An Landscape Garden | 48,718 | 251.9 | 90.0% |
| **Anhui Province** | | | |
| **Huaibei** | | | |
| Vancouver City | 14,764 | 104.9 | 100.0% |
| | 341,756 | 4,663.8 | |

The average cost of properties sold per sq.m. of the Group was about RMB9,158 in 2018, representing an increase of about 13.9% from RMB8,042 in the previous year. It was due to the higher development cost of relevant projects recognised for sale during the year.

## Progress of development on the major projects

***Hangzhou, Zhejiang Province***

*Landscape Bay*

This is a residential project located on the south bank of Qiantang River, Xiaoshan District, Hangzhou, Zhejiang Province, which was completed in phases in previous years, with a total GFA of about 300,012 sq.m.. The project includes island-style townhouses, high-rise apartments with river view, car parking lots and clubhouse. The entire project was completed in 2011. So far, it is sold out apart from some car parking lots and a few housings.

*Hidden Dragon Bay*

This is an integrated commercial complex in Wenyan Town, Xiaoshan District, Hangzhou, Zhejiang Province with a total GFA of 241,695 sq.m.. The project includes low-rise luxurious leisure mansions for corporations, high-rise serviced apartments (SOHO), street shops and car parking lots. The project was completed in April 2013.

*International Office Centre (IOC)*

IOC is a large-scale integrated commercial complex located in Qianjiang Century City (錢江世紀城), Xiaoshan District, Hangzhou, comprising serviced apartments, shopping malls and offices. The total site area of Plot A is 92,610 sq.m. and planned total GFA is 798,795 sq.m.. The project is constructed in three phases, consists of Plots A1, A2 and A3. Among which, Plot A3 was completed in 2015, comprising serviced apartments, shops and underground car parking spaces with a total GFA of approximately 327,996 sq.m.. The construction of Plot A2 has commenced in 2018 with a total GFA of approximately 263,555 sq.m..

*White Horse Manor*

This is a residential project in Xiaoheshan, Yuhang District, Hangzhou, Zhejiang Province with a total GFA of about 243,497 sq.m.. It consists of high-rise residential buildings and low-density residential townhouses situated at a hilly terrain with beautiful scenery and green vegetation. The townhouse units are built with American architectural design and on the terrain with spacious view. The project is in proximity to local universities and Xixi Wetland. The entire project was completed in December 2015. So far, it is sold out apart from some car parking lots and a few housings.

*Ideal Bay*

This is a residential project in Linping, Yuhang District, Hangzhou, Zhejiang Province with a total GFA of about 538,856 sq.m.. The project consists of townhouses in British architectural design and high-rise apartment units, which was fully completed in June 2016. The volume of sales of the project during the year under review was within expectation.

*Chaoyang No. 8 (including Chaoyang Yinzuo)*

This is a project including residential units, apartments and block-type commercial amenities in Shushan Town, Xiaoshan District, Hangzhou, Zhejiang Province and it is at the prime location with Hangzhou Metro Line No.2 terminal in the proximity with a total GFA of about 199,224 sq.m.. The project was completed in May 2017 and started delivery in 2017. So far, it is sold out apart from some car parking lots and a few housings.

*Hangzhou Qiandao Lake Bright Resort Hotel*

This is a hotel project in Qiandaohu Town, Chunan County, Hangzhou, Zhejiang Province with a GFA of about 46,691 sq.m.. This hotel is built at the shore of Qiandao Lake with a beautiful lake view and natural habitat. Blocks A, B and C are located in the hotel area and opened in April 2017.

*College Square*

This is a residential project located at Yuhang District, Hangzhou, Zhejiang Province with a total GFA of about 195,293 sq.m.. It consists of high-rise residential apartments and shopping units. It is very close to the old city of Yuhang District and situated at the planned hi-tech center of Hangzhou. The project commenced in April 2016 and was completed and delivered in the fourth quarter of 2018. The volume of sales of this project during the year under review was within expectation.

*White Horse Palace*

This is a residential project located at Xiaoshan District, Hangzhou, Zhejiang Province and its total GFA is about 68,220 sq.m.. It consists of 4 high-rise residential apartments, 3 multi-storey garden apartments and 5 townhouses. It is at the core areas of Xiaoshan District, Hangzhou. The project commenced in August 2016 and was completed and delivered in August 2018. So far, the properties are sold out apart from some car parking lots and a few housing. The volume of sales of this project during the year under review was within expectation.

*Xixi New City*

It is located in Jiangcun Unit, Xihu District, Hangzhou and is in proximity to Xixi Wetland. The total site area of the project is 39,703 sq.m. and the total GFA is 83,391 sq.m.. The construction of the project commenced in May 2017, which will become an integrated commercial complex comprising offices, serviced apartments and shops. It is planned to be completed and delivered in 2019. The pre-sale of this project during the year under review was within expectation.

*Xixi Manhattan*

It is located in the Future Science and Technology City which is the segment to be emphasized by Hangzhou Municipal Government, and it is a high-end serviced apartment project of Xixi Financial Island in Yuhang District, Hangzhou. The GFA of the project is 109,173 sq.m.. It was offered and sold in late August 2017 and was completed and delivered in 2018. The volume of sales of this project during the year under review was within expectation.

*Royal Bay (Phase II Parcel of Blue Mountain, Jimei, Yuhang)*

It is located at Xian Lin Street, Yuhang District, Hangzhou and consists of residential and commercial parcels. The total GFA of the inventory portion of the project is about 16,878 sq.m., and the undeveloped parcel has a land area of about 65,796 sq.m. while the total GFA is about 146,018 sq.m.. The project consists of multi-storey, small high-rise and high-rise buildings as well as townhouses, and is surrounded by well-developed community facilities. During the year under review, the sales of the inventory portion of the project was within expectation. The undeveloped parcel is constructed in two phases which consists of Plot E and Plot CF. Among which, Plot E, with a GFA of approximately 60,992 sq.m., will commence in the first quarter of 2019. It is expected that the construction of Plot CF, which has a GFA of approximately 85,026 sq.m., will commence in the second quarter of 2019.

*Tuankou Fenghuangshan Hotspring Hotel*

This is a hotel project located in Tuankou Town, Lin An District, Hangzhou with a total GFA of approximately 63,502 sq.m.. It is expected to commence construction in April 2019.

*Nan Hu Ming Yue*

It is located in Yuhang District, Hangzhou and consists of high-rise blocks, He Yuan and commercial areas with a total GFA of approximately 407,656 sq.m.. The project is expected to start the pre-sale in May 2019.

***Yuyao, Zhejiang Province***

*Dragon Bay*

This is a high-end low-density residential project in Yuyao, Zhejiang Province, which was completed in 2013, with a total GFA of 196,809 sq.m.. The project consists of French, European and Spanish-style low-density residential buildings. The sales during the year under review was within expectation.

*Jade Mansion*

This is a low-density residential project in Yuyao, Zhejiang Province with a total GFA of 292,807 sq.m.. The project consists of 3 phases with townhouses and residential apartments and it is next to the Dragon Bay. The construction of Phase I with townhouse was completed in 2014 and the construction of Phase III with residential apartments was completed in June 2016. The construction of Phase II started at the end of 2016 and is expected to be completed in the second quarter of 2019. The volume of sales of this project during the year under review was within expectation.

*Zhong An Times Square*

This is a large-scale integrated commercial project in Yuyao, Zhejiang Province, with a total GFA of about 628,385 sq.m. in 2 phases. It is next to the Dragon Bay and the Jade Mansion, which are projects spanning along a river. The project consists of 2 phases. Phase I includes a shopping mall (Zhong An • Intime City) (眾安 • 銀泰城), a boutique hotel and two serviced apartments (SOHO) and underground car parking spaces, while Phase II includes a hotel, a Grade A office tower and six high-rise serviced apartment buildings, underground car parking spaces and shops. Phase II of this project was completed in September 2016 and Phase I was completed and delivered in 2018. The volume of sales of Phase II of this project during the year under review was within expectation.

*Cixi Zhong An Landscape Garden*

This is a residential property project in Cixi, Zhejiang Province. The total site area is about 197,655 sq.m.. The residential project includes the commercial portion for providing supporting services to local residents, with a total GFA of about 510,125 sq.m., consisting of multi-storey apartments which is constructed in four phases. The first phase was completed in June 2016; the second phase was completed and delivered in February 2018; the third phase commenced in June 2017 and is expected to be completed in September 2019; the fourth phase commenced in May 2018 and is expected to be completed in 2020. The volume of sales of the project during the year under review was within expectation.

***Lishui, Zhejiang Province***

*Comphor Tree Bay*

It is a rare modern Chinese-style real estate with quality living environment located in Luwan Village, Lishui, Zhejiang Province. It consists of high-rise buildings and stores with a total GFA of 286,769 sq.m.. The project commenced in September 2018 and started the pre-sale in November 2018 while the construction is expected to be completed in July 2020. The pre-sale of the project during the year under review was within expectation.

***Yiwu, Zhejiang Province***

Yiwu Project

It is a residential and commercial project located in Lugang Logistics Park in Yiwu, Zhejiang Province with a total GFA of 282,505 sq.m.. The project is expected to commence construction in April 2019 and the pre-sale will start in July 2019.

***Hefei, Anhui Province***

*Green Harbour*

It is a low-density residential project in Guanzhen Village, Hefei, Anhui Province, with the completion of blocks A1, C1, C2 and F1 in the previous years. So far, it is sold out apart from some car parking lots and a few shops.

***Huaibei, Anhui Province***

*Vancouver City*

This is a low-density residential project in Huaibei, Anhui Province, which includes townhouses, multi-storey apartments and shopping units. The project is developed in phases, and its sale and pre-sale during the year under review were within expectation. The Huaibei Bright Hotel (淮北伯瑞特酒店), with a GFA of about 67,061 sq.m., was put into business in September 2017. The GFA of Phase III north project is approximately 170,000 sq.m., and the project commenced construction in 2017 and is expected to be completed in the first quarter of 2019; the GFA of Phase IV south project is approximately 120,000 sq.m., and the project commenced construction in July 2018 and is expected to be completed in 2020; the GFA of Phase V south project is approximately 180,000 sq.m., and it is expected to commence construction in July 2019 and be completed in 2021; the GFA of Phase VII project is approximately 100,000 sq.m., and it is expected to commence construction in March 2020.

***Xuzhou, Jiangsu Province***

*Xuzhou Project*

It is located in the City Commercial Plaza in Xuzhou, Jiangsu Province with a majority of serviced apartments and stores. Its total GFA is 562,371 sq.m.. It will be constructed in three phases and the third phase, which has a GFA of 289,228 sq.m. and will commence construction in April 2019 and start the pre-sale in October 2019.

***Overseas***

*Amber Rise*

This project was set up in Vancouver, Province of British Columbia, Canada with a total GFA of about 7,719 sq.m.. The site is located in wealthy district with about 20 minutes drive to the downtown of Vancouver City. A total of 12 townhouses with individual swimming pools and deluxe design will be built in 2 phases. Construction was commenced in the fourth quarter of 2016 and is expected to be completed in 2019.

## Contracted sales in 2018

As at 31 December 2018, the contracted GFA sold by the Group was about 384,763 sq.m. (2017: 679,415 sq.m.) with the amount of about RMB5,823.5 million (2017: RMB10,101.2 million), representing a year-to-year decrease of approximately 42.3%. Set out below are the details of the contracted sales from the major projects:

| **Projects** | **Contracted GFA sold** *(sq.m.)* | **Contracted amount** *(RMB million)* | **Percentage of interest in the project attributable to the Group** |
|---|---|---|---|
| **Zhejiang Province** | | | |
| **Hangzhou** | | | |
| Chaoyang No. 8 | – | 20.2 | 90.0% |
| Chaoyang Yinzuo | 2,890 | 65.3 | 62.3% |
| Ideal Bay | 18,120 | 307.0 | 45.9% |
| Jiarun Mansion | 11,052 | 404.9 | 51.9% |
| Landscape Bay | 597 | 16.1 | 92.6% |
| White Horse Manor | 5,079 | 129.7 | 90.0% |
| White Horse Palace | 990 | 40.3 | 90.0% |
| College Square | 13,009 | 249.0 | 90.0% |
| Royal Bay (Onshore Blue Mountain) | 14,959 | 328.7 | 90.0% |
| Highlong Plaza | 8,368 | 115.4 | 62.3% |
| Xixi Manhattan | 4,241 | 138.9 | 31.8% |
| Xixi New City | 15,741 | 674.5 | 69.2% |
| Majestic Mansion | 25,537 | 341.7 | 18.0% |
| Gentle Mansion | 24,373 | 633.3 | 21.7% |
| Others | – | 0.1 | |
| **Yuyao** | | | |
| Dragon Bay | 9,639 | 279.4 | 90.0% |
| Jade Mansion | 18,531 | 391.5 | 93.0% |
| Zhong An Times Square Phase II | 2,983 | 46.0 | 64.4% |
| Zhong An Times Square Phase I | 26,631 | 225.3 | 62.3% |
| **Cixi** | | | |
| Cixi Zhong An Landscape Garden | 54,852 | 411.9 | 90.0% |
| **Lishui** | | | |
| Comphor Tree Bay | 26,874 | 386.0 | 90.0% |
| **Anhui Province** | | | |
| Vancouver City | 100,297 | 618.3 | 100.0% |
| | 384,763 | 5,823.5 | |

### Land bank

As at 31 December 2018, the total GFA of the Group's land bank was about 8,068,113 sq.m., out of which the total unsold or undelivered GFA of the completed properties projects was about 2,400,122 sq.m.. As at 31 December 2018, the average acquisition cost of the Group's overall land bank was about RMB1,356 per sq.m..

During the year under review, the GFA of the properties of which the construction were newly commenced by the Group was about 729,692 sq.m..

## OTHER BUSINESS DEVELOPMENT

The businesses of the Group are diversifying which provide the basis for securing more stable income in the future and diversification of investment risks. The Group will steadily promote an asset-light business model and gradually broaden the scope of property services and business operation which includes hotel operation, commercial leasing, office building management and property services, and will continue to adopt new business models and types such as the promotion of development of new agricultural and healthcare industries at the same time, so as to enhance the upstream and downstream business linkage and synergetic development of our property business and to maintain a trend of sustainable development.

### Hotel operation

There are three hotels currently under operation, Holiday Inn Hangzhou Xiaoshan, Hangzhou Qiandao Lake Bright Resort Hotel and Huaibei Bright Hotel. The hotel operation of the Group recorded a revenue of approximately RMB111.3 million (2017: approximately RMB66.8 million), representing an increase of approximately 66.6%, during the year under review and the overall hotel occupancy rate was approximately 58% (2017: approximately 52%).

### Commercial leasing

The leasing revenue for 2018 was about RMB179.5 million, representing an increase of about 138.1% as compared to RMB75.4 million in 2017. It was mainly due to the commencement of the leasing business of International Office Centre (IOC) and Intime City.

Currently, Highlong Plaza, International Office Centre (IOC), Intime City and the shopping units of Hidden Dragon Bay provide the main source of leasing income of the Group. Highlong Plaza consists of office buildings, a shopping centre, a hotel, serviced apartments and underground car parking lots. The serviced apartments at Highlong Plaza were sublet to and managed by independent operators, Ningbo Sanbi Hotel and Hangzhou Youbang Hotel. The performance of the operation was satisfactory.

The shopping units of Hidden Dragon Bay with a GFA of about 20,281 sq.m., the shops of International Office Centre (IOC) with a GFA of about 29,311 sq.m. and the shopping mall (Zhong An • Intime City), office building and shops of Zhong An Times Square with a GFA of about 114,751 sq.m. had contributed another source of rental income during the year under review. The overall leasing rate was 96% (2017: 91%).

### Property management services

The Group provides quality property management services to the communities located in properties developed by the Group and other developers. The services are further enhanced by the provision of travel tours, housekeeping and nanny services, etc.. The provision of customer-oriented services and the wide variety of services offered have strengthened the Group's corporate brand management.

### Other services

The Group achieved greater progress in developing new industries such as education and culture, healthcare, film and television entertainment, leisure travel and modern agriculture while further expanding its commercial property business. It also introduced a new business form themed on children's activities, "Happy Time", which focused on urban children's services comprising children's health, education, entertainment and sports activities.

### Awards and Recognitions

The Group had received the following awards and accolades from the PRC government and recognised authorities during the year under review:

| Awarded by | Awards | Awarded parties/projects |
|---|---|---|
| Enterprise Research Institute of Development Research Center of State Council, Real Estate Research Institute of Tsinghua University and China Index Academy | Star of 2018 Top 100 China Real Estate Developers<br><br>2018 Top 10 Hong Kong Listed Domestic Property Companies with Financial Stability | Zhong An Real Estate Limited |
| Enterprise Research Institute of Development Research Center of State Council, Real Estate Research Institute of Tsinghua University and China Index Academy | 2018 Top 10 Chinese Commercial Property Company Brand Value | China New City Commercial Development Limited |
| Enterprise Research Institute of Development Research Center of State Council, Real Estate Research Institute of Tsinghua University and China Index Academy | 2018 China's Top 100 Property Management Service Providers | Zhejiang Zhong An Property Management Co., Ltd. |
| Judging Committee of the Best Hotel | 2018 Best Business Hotel in China | Huaibei Bright Hotel |
| Judging Committee of the Best Hotel | 2018 Best Resort Hotel for Parents and Children | Qiandao Lake Bright Resort Hotel |

## Human resources

As at 31 December 2018, the Group employed a total of 3,244 staff (2017: 3,115 staff). In 2018, the staff cost of the Group was about RMB254.6 million (2017: about RMB221.0 million), representing an increase of about 15.2% (2017: 11.7%). The increase was mainly due to the increase in quality staff recruited during the year under review following the continuous development of the business. The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal on a yearly basis for its employees, the results of which are taken into account of the annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual discretionary bonus according to certain performance conditions and appraisal results. To attract high calibre people and solidify the management of the Group, eligible participants (including employees of the Group) may be granted options to subscribe for shares in the Company pursuant to the share option scheme adopted by the Company. The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain the attraction of the Company for talents and their competitiveness in the market.

## Dividend policy

The Company may distribute dividends by way of cash or by other means that the Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of the Board and, where applicable, the approval of the shareholders of the Company. The Board will consider various factors before declaring or recommending any payment of dividends. These factors include the results of operation of the business of the Group, the retained earnings and distributable reserves of the Company and each of the members of the Group, the Group's actual and expected financial performance, the general business conditions and strategies, the Group's expected working capital requirements and future expansion plans, the general economic conditions and business cycle of the Group's business, the future prospects of the business of the Group, shareholders' interests, statutory and regulatory restrictions on the payment of dividend and other internal or external factors that the Board deems appropriate.

## Financial Analysis

### Revenue

For the year ended 31 December 2018, the Group recorded total revenue of approximately RMB5,169.4 million, representing an increase of approximately 17.6% compared with that of RMB4,395.1 million in 2017. Among which, the revenue arising from the sale of properties had constituted and is expected to constitute continually the vast majority of our total revenue, accounting for approximately 90.2% of the total income amount for the year.

**Cost of sales**

For the year ended 31 December 2018, the Group's cost of sales was approximately RMB3,471.3 million, representing an increase of approximately 2.5% as compared with that of RMB3,385.2 million in 2017.

**Gross profit**

For the year ended 31 December 2018, the Group recorded gross profit of about RMB1,698.1 million, representing an increase of about 68.1% as compared to that of about RMB1,009.9 million in the previous year. The increase in gross profit is the net effect of (i) the increase in recognised revenue from the properties sold and delivered; and (ii) the relatively higher unit costs of the properties sold and delivered in the year under review.

**Other income and gains**

The other income and gains of the Group amounted to approximately RMB81.5 million for the year ended 31 December 2018, representing a decrease of 25.4% as compared with that of RMB109.3 million in 2017. The decrease was primarily due to the relatively higher revenue in the sale of investment properties in the previous year, while there was no relevant revenue in the year under review.

**Selling and distribution expenses**

The selling and distribution expenses decreased by about 3.9% to about RMB259.2 million in 2018 from about RMB269.6 million in 2017.

**Administrative expenses**

Administrative expenses were increased by about 42.1% to about RMB429.2 million in 2018 from about RMB302.1 million in 2017.

**Other expenses**

Other expenses increased by about 239.2% to about RMB86.5 million in 2018 from about RMB25.5 million in 2017. The increase of other expenses was mainly due to (i) the loss from changes in fair value in the year under review; and (ii) a more significant loss from disposal of investment property.

**Finance costs**

Finance costs increased by about 177.1% to about RMB114.7 million in 2018 from about RMB41.4 million in 2017. This increase was mainly due to the decrease of capitalized interests in the year under review.

**Income tax expenses**

Income tax expenses increased by about 5.4% to about RMB520.5 million in 2018 from about RMB493.6 million in 2017. The primary reasons for the increase was the increase in the amount of PRC land appreciation tax accounted for in the year under review.

**Capital structure**

As at 31 December 2018, 5,810,390,800 shares in the Company were in issue (31 December 2017: 5,836,596,800 shares).

As at 31 December 2018, the Group had total assets of approximately RMB25,065.9 million (2017: approximately RMB22,597.7 million) which were financed by current liabilities of approximately RMB9,881.3 million (2017: approximately RMB9,479.4 million), non-current liabilities of approximately RMB5,634.5 million (2017: approximately RMB4,059.1 million) and shareholders' equity of approximately RMB9,550.1 million (2017: approximately RMB9,059.2 million).

As at 31 December 2018, the Group had aggregate cash and cash equivalents and restricted cash of about RMB2,140.8 million (2017: RMB3,433.0 million).

As at 31 December 2018, the Group's interest-bearing bank and other borrowings amounted to approximately RMB4,768.1 million (2017: approximately RMB4,559.4 million).

The maturity profile of the borrowings was as follows:

| | **As at 31 December 2018** *RMB'000* | As at 31 December 2017 *RMB'000* |
|---|---|---|
| Within 1 year or on demand | **1,384,960** | 1,627,419 |
| Over 1 year but within 2 years | **488,000** | 2,275,000 |
| Over 2 years but within 5 years | **2,735,000** | 487,000 |
| Over 5 years | **160,125** | 170,000 |
| | **4,768,085** | 4,559,419 |

Interest-bearing bank and other borrowings bear interest at fixed rates and floating rates. As at 31 December 2018, the Group's interest-bearing bank and other borrowings bore effective interest rates ranging from 0.90% to 8.2% per annum (2017: 0.90% to 8.2% per annum).

The denominated amounts of the borrowings were as follows:

| | **As at 31 December 2018** *RMB'000* | As at 31 December 2017 *RMB'000* |
|---|---|---|
| Renminbi | **4,768,085** | 4,239,070 |
| Japanese Yen | – | 37,565 |
| United States dollars | – | 282,784 |
| | **4,768,085** | 4,559,419 |

For the year under review, the total cost of borrowings of the Group was approximately RMB287.6 million (2017: approximately RMB325.6 million), and interests with an amount of approximately RMB172.9 million (2017: approximately RMB284.2 million) were capitalized.

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.52 (2017: approximately 1.30). The ratio of interest-bearing bank and other borrowings to total assets was 0.19 (2017: 0.20). The net gearing ratio of the Group (defined as net debt divided by total equity) was 0.28 (2017: 0.12) (net debt is defined as total interest-bearing bank and other borrowings less cash and cash equivalent and total restricted cash). The Group always adopts a prudent financial policy in its operation and business development.

**Capital commitments**

As at 31 December 2018, the Group had capital commitments of about RMB820.0 million (2017: approximately RMB1,234.2 million) in respect of property development expenditure. It is expected that the Group will finance such commitments from its own funds, cash proceeds from sales and external financing (such as bank loans).

**Contingent liabilities**

As at 31 December 2018, the contingent liabilities of the Group was about RMB2,891.2 million (2017: approximately RMB3,205.4 million), which were guarantees provided by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties.

**Pledge of assets**

As at 31 December 2018, investment properties of the Group with carrying value of about RMB1,238.2 million (2017: approximately RMB1,732.8 million), properties under development of about RMB2,630.0 million (2017: approximately RMB1,577.5 million), completed properties held for sale of about RMB1,889.9 million (2017: approximately RMB1,899.2 million), property and equipment of about RMB498.2 million (2017: approximately RMB90.7 million), restricted cash of about RMB5.0 million (2017: approximately RMB184.7 million), 100% equity interest in a subsidiary of the Group of about RMB40 million (2017: Nil) were pledged to secure the banking facilities and other borrowings for the Group.

**Foreign exchange risk**

As the sales, purchase and bank borrowings of the Group in 2018 and 2017 were made mainly in Renminbi, the foreign exchange risk exposed to the Group was relatively minor. The Group did not use foreign exchange hedging instruments to hedge foreign exchange risks in 2018 and 2017.

**Interest rate risk**

The interest rates for certain portion of the Group's loans were floating. Upward fluctuations in interest rates will increase the interest cost of new loans and existing loans. Given that certain portion of loans are RMB loans and the stable domestic economic situation of the PRC, the Group currently does not use derivative instruments to hedge its interest rate risks.

**Event(s) after the reporting period**

On 7 January 2019, the Group issued 178,280,000 shares in China New City Commercial Development Limited ("**CNC**"), an indirect non-wholly owned subsidiary of the Company, at HK$2.47 each to Hangzhou Oriental Culture Tourism Group Co., Ltd as consideration for the acquisition of further equity interest in Zhejiang Xinnongdou Industrial Co., Ltd.

Please refer to the circular of the Company dated 30 November 2018 and the joint announcement of the Company and CNC dated 7 January 2019 for details.

Save as disclosed above, there was no matter occurred that bears significant effect to the Group between the year end date and the date of this announcement.

**Environmental, Social and Governance Aspects**

The Group is always committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. A report on the environmental, social and governance aspects is being prepared with reference to Appendix 27 (Environmental, Social and Governance Reporting Guide) to the Listing Rules and will be published respectively on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

## Prospects

Looking forward to the year 2019, under the macro background of increasing economic downward pressure, stabilization on the real estate market, especially the stabilization on real estate investment, will play an important role in stabilizing economic development. Under the premise of "housing is for people to live in, not for speculation", "implementation of policies based on situations of various cities" and "various policies for one city" will remain the major measures for adjusting and controlling policies. To ensure the healthy development of the real estate market, effective supply of real estate will be expanded to meet the reasonable residential demand and live-improving demand.

The Group's major development area is the Yangtze River Delta Region, which boasts a strong economic base and a low-cost land bank. As an established real estate company in the Yangtze River Delta region, the Group has been striving for steady development since its establishment 21 years ago instead of pursuing radical expansion, and it maintained a healthy corporation operational philosophy to achieve gradually development and expansion.

In the coming year, in the face of complex regulative and controlling environment, the Group will further accelerate the sales of property inventory, develop more quick-sale products targeting end users and high value-added, low-density residential units in order to accelerate asset turnover. We will continue to fully leverage on our strong brand name and optimize marketing strategy with active marketing as the dominant mode for more rapid growth of sales. Meanwhile, we will expand our business in first-tier and second-tier cities as well as third-tier and fourth-tier cities with healthy market development by means of cooperation and acquisition, in-depth study of regional economic markets and real estate policies, and exploration of valuable low-lying land. The Group will also carefully analyze consumers' demands and preferences to enhance its ability to innovate and improve existing products, so as to progressively build up a more sophisticated and competitive product lines. In addition, the Group will maintain active expansion in the Yangtze River Delta Region with its unique business model and advanced operational philosophy to develop into a professional business management company and hotel management company focusing on commercial real estate operations and forge an urban high-quality integrated commercial complex and an influential hotel management company.

## DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 31 December 2018 (2017: nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2018, the Company repurchased a total of 29,206,000 shares in the Company on the Stock Exchange, the details of which are set out bellow:

| Month/Year | Number of shares purchased | Price per share (Highest) | Price per share (Lowest) | Total consideration |
|---|---|---|---|---|
| | | *HK$* | *HK$* | *HK$* |
| March/2018 | 21,992,000 | 0.67 | 0.60 | 13,982,356.85 |
| June/2018 | 7,214,000 | 0.45 | 0.41 | 3,104,433.17 |
| | 29,206,000 | | | 17,086,790.02 |

All shares repurchased were cancelled and accordingly the Company's issued share capital was reduced by the nominal value of these shares. The repurchases were effected for the benefit of the Company and its shareholders as a whole by enhancing the value of the net assets and earnings per share of the Company.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**"). Following specific enquiries by the Company, all Directors confirmed with the Company that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year.

## CORPORATE GOVERNANCE

Throughout the year, the Company had applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Board will review the management structure of the Group from time to time and adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.

## AUDIT COMMITTEE

The audit committee of the Company (comprising all the independent non-executive Directors) had reviewed the audited consolidated results of the Company for the year ended 31 December 2018 and considered that the Company had complied with all applicable accounting standards and requirements and made adequate disclosure.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 6 June 2019. In order to qualify for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 31 May 2019.

## DISCLOSURE OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual report of the Group containing all the relevant information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
**Zhong An Real Estate Limited**
**Shi Kancheng**
*Chairman*

The PRC, 19 March 2019

*As at the date of this announcement, the Board comprised five executive Directors, namely Mr Shi Kancheng (Chairman), Ms Wang Shuiyun, Mr Zhang Jiangang, Ms Shen Tiaojuan and Mr Jin Jianrong, one non-executive Director, namely Ms Shen Li, and three independent non-executive Directors, namely Professor Pei Ker Wei, Dr Loke Yu and Mr Zhang Huaqiao.*

* *For identification purpose only*