中駿集团

CHINA SCE GROUP HOLDINGS LIMITED
中駿集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1966)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Contracted sales amount increased by approximately 54.5% to approximately RMB51,358,428,000.
- Revenue increased by approximately 10.4% to approximately RMB17,782,886,000.
- Gross profit margin and core profit margin were 34.6% and 13.2%, respectively.
- Profit attributable to owners of the parent increased by approximately 19.2% to approximately RMB3,385,284,000.
- Core profit attributable to owners of the parent increased by approximately 15.6% to approximately RMB2,200,040,000.
- Cash and bank balances increased by approximately 107.1% to approximately RMB19,972,815,000 as at 31 December 2018.
- Net gearing ratio was approximately 60.4% as at 31 December 2018.
- The Board proposed to declare a final dividend of HK14 cents per ordinary share.

The board (the "**Board**") of directors (the "**Directors**") of China SCE Group Holdings Limited (formerly known as China SCE Property Holdings Limited) (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
REVENUE	*5*	**17,782,886**	16,105,245
Cost of sales		**(11,636,290)**	(10,620,061)
Gross profit		**6,146,596**	5,485,184
Other income and gains	*5*	**386,637**	122,812
Changes in fair value of investment properties, net		**1,082,540**	1,262,744
Selling and marketing expenses		**(398,421)**	(530,538)
Administrative expenses		**(1,298,702)**	(963,431)
Other expenses		**–**	(332,561)
Finance costs	*6*	**(401,686)**	(392,048)
Share of profits and losses of:			
Joint ventures		**513,275**	814,542
Associates		**22,217**	(6,062)
PROFIT BEFORE TAX	*7*	**6,052,456**	5,460,642
Income tax expense	*8*	**(2,375,633)**	(2,012,091)
PROFIT FOR THE YEAR		**3,676,823**	3,448,551
OTHER COMPREHENSIVE INCOME/(LOSS):			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of joint ventures		**(13,837)**	46,017
Share of other comprehensive income/(loss) of associates		**(28)**	157
Exchange differences on translation of foreign operations		**(486,437)**	578,541
Release of other reserves upon deemed acquisition of subsidiaries		**40,539**	–
Available-for-sale investments:			
Change in fair value		**–**	52,051
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(459,763)**	676,766
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		**–**	82,872

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
Year ended 31 December 2018

	Note	**2018** **RMB'000**	2017 RMB'000
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(459,763)**	759,638
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,217,060**	4,208,189
Profit attributable to:			
Owners of the parent		**3,385,284**	2,840,035
Holders of perpetual capital instruments		**58,363**	51,975
Non-controlling interests		**233,176**	556,541
		3,676,823	3,448,551
Total comprehensive income attributable to:			
Owners of the parent		**3,019,205**	3,516,512
Holders of perpetual capital instruments		**58,363**	51,975
Non-controlling interests		**139,492**	639,702
		3,217,060	4,208,189
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**RMB87.8 cents**	RMB79.9 cents
Diluted		**RMB86.0 cents**	RMB78.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**680,784**	104,894
Investment properties		**20,270,300**	10,251,718
Prepaid land lease payments		**5,028,066**	5,414,497
Intangible asset		**3,319**	3,489
Properties under development		**2,730,414**	1,524,085
Contract in progress		**326,907**	340,667
Investments in joint ventures		**5,683,818**	3,308,894
Investments in associates		**155,072**	115,265
Available-for-sale investments		**–**	229,541
Prepayments and other assets		**3,836,906**	2,948,515
Deferred tax assets		**561,628**	344,923
Total non-current assets		**39,277,214**	24,586,488
CURRENT ASSETS			
Properties under development		**28,101,140**	21,740,001
Completed properties held for sale		**3,242,502**	2,967,252
Trade receivables	*11*	**401,785**	57,634
Prepayments, other receivables and other assets		**4,855,783**	2,881,509
Financial assets at fair value through profit or loss		**642,440**	–
Due from related parties		**4,009,493**	3,468,627
Prepaid income tax		**987,603**	831,372
Restricted cash		**4,409,592**	1,471,342
Pledged deposits		**47,909**	25,300
Cash and cash equivalents		**15,515,314**	8,145,483
Total current assets		**62,213,561**	41,588,520
CURRENT LIABILITIES			
Trade and bills payables	*12*	**8,347,133**	3,152,203
Other payables and accruals		**9,929,465**	20,136,559
Contract liabilities		**21,539,926**	–
Interest-bearing bank and other borrowings		**10,537,381**	4,481,209
Derivative financial instruments		**26,739**	40,364
Senior notes and domestic bonds		**–**	3,477,192
Due to related parties		**1,246,015**	1,707,222
Tax payable		**2,599,736**	1,643,712
Total current liabilities		**54,226,395**	34,638,461
NET CURRENT ASSETS		**7,987,166**	6,950,059
TOTAL ASSETS LESS CURRENT LIABILITIES		**47,264,380**	31,536,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2018

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**9,594,620**	8,150,246
Derivative financial instruments	**–**	149,031
Senior notes and domestic bonds	**13,205,644**	5,414,433
Deferred tax liabilities	**2,279,297**	1,226,399
Provision for major overhauls	**45,412**	38,568
Total non-current liabilities	**25,124,973**	14,978,677
Net assets	**22,139,407**	16,557,870
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**353,077**	329,804
Reserves	**15,129,109**	12,128,322
	15,482,186	12,458,126
Perpetual capital instruments	**700,000**	700,000
Non-controlling interests	**5,957,221**	3,399,744
Total equity	**22,139,407**	16,557,870

NOTES:

1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The addresses of the principal place of business of the Company in the People's Republic of China (the "**PRC**") and Hong Kong are SCE Tower, No. 2, Lane 1688, Shengchang Road, Hongqiao Business District, Shanghai, China; and Room 2801, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong, respectively.

The Group was principally engaged in property development, property investment and property management in the PRC during the year.

In the opinion of the Directors, the ultimate holding company of the Company is Newup Holdings Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

The financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted, to the extent that is relevant to the Group, the following new and revised HKFRSs for the first time for the current year's financial statements.

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

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and HKAS 40, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

Summary of impact of HKFRS 15 and HKFRS 9 on the consolidated statement of financial position as at 1 January 2018:

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	As previously stated	Reclassification under HKFRS 15	Adjustment under HKFRS 15	Reclassification under HKFRS 9	Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated statement of financial position (extract)					
Available-for-sale investments	229,541	–	–	(229,541)	–
Deferred tax assets	344,923	–	(17,076)	–	327,847
Prepayments, other receivables and other assets	2,881,509	–	68,303	–	2,949,812
Financial assets at fair value through profit or loss	–	–	–	229,541	229,541
Other payables and accruals	20,136,559	(15,610,834)	–	–	4,525,725
Contract liabilities	–	15,610,834	–	–	15,610,834
Available-for-sale investments revaluation reserve	52,051	–	–	(52,051)	–
Retained profits	9,362,217	–	50,466	52,051	9,464,734
Non-controlling interests	3,399,744	–	761	–	3,400,505

HKFRS 9 ***Financial Instruments***

HKFRS 9 *Financial Instruments* replaces HKAS 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.

(a) Classification and measurement

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

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows:

		Measurement Category		Amount		
		Original (HKAS 39)	New (HKFRS 9)	Original	New	Re-classification
	Note			*RMB'000*	*RMB'000*	*RMB'000*
Non-current financial assets						
Available-for-sale investments	*(i)*	Amortised cost	N/A	229,541	–	(229,541)
Current financial assets						
Trade receivables		Amortised cost	Amortised cost	57,634	57,634	–
Financial assets included in prepayments, other receivables and other assets		Amortised cost	Amortised cost	2,158,160	2,158,160	–
Financial assets at fair value through profit or loss	*(i)*	N/A	FVPL[1]	–	229,541	229,541
Due from related parties		Amortised cost	Amortised cost	3,468,627	3,468,627	–
Restricted cash		Amortised cost	Amortised cost	1,471,342	1,471,342	–
Pledged deposits		Amortised cost	Amortised cost	25,300	25,300	–
Cash and cash equivalents		Amortised cost	Amortised cost	8,145,483	8,145,483	–
Current financial liabilities						
Trade and bills payables		Amortised cost	Amortised cost	3,152,203	3,152,203	–
Financial liabilities included in other payables and accruals		Amortised cost	Amortised cost	4,525,725	4,525,725	–
Interest-bearing bank and other borrowings		Amortised cost	Amortised cost	4,481,209	4,481,209	–
Derivative financial instruments		FVPL[1]	FVPL[1]	40,364	40,364	–
Senior notes and domestic bonds		Amortised cost	Amortised cost	3,477,192	3,477,192	–
Due to related parties		Amortised cost	Amortised cost	1,707,222	1,707,222	–
Non-current financial liabilities						
Interest-bearing bank and other borrowings		Amortised cost	Amortised cost	8,150,246	8,150,246	–
Derivative financial instruments		FVPL[1]	FVPL[1]	149,031	149,031	–
Senior notes and domestic bonds		Amortised cost	Amortised cost	5,414,433	5,414,433	–

[1] FVPL: Financial assets or financial liabilities at fair value through profit or loss

Note:

(i) The Group has reclassified its unlisted investments of RMB229,541,000 previously classified as available-for-sale investments to financial assets at fair value through profit or loss since the unlisted investments did not pass the contractual cash flow characteristics test for classification at amortised cost under HKFRS 9. The accumulated fair value gain of RMB52,051,000 was reclassified from the available-for-sale investments revaluation reserve to retained profits at 1 January 2018.

(b) ***Impairment of financial assets***

The Group has six types of financial assets that are subject to HKFRS 9's new ECL model:

- Trade receivables;
- Financial assets included in prepayments, other receivables and other assets;
- Due from related parties;
- Restricted cash;
- Pledged deposits; and
- Cash and cash equivalents

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The restatement of the loss allowance for these classes of assets on transition to HKFRS 9 as a result of applying the expected credit risk model was not significant. Therefore, the carrying amount for these classes of assets and the retained profits at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(c) ***Hedge accounting***

The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

HKFRS 15 ***Revenue from Contracts with Customers***

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

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

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Accounting for cost of obtaining contracts

Prior to the adoption of HKFRS 15, the Group expensed off the incremental costs of obtaining contracts with customers when incurred. Upon adoption of HKFRS 15, incremental costs incurred directly attributable to obtain a contract with customers, if recoverable, are capitalised and recorded in prepayments, other receivables and other assets. Capitalised incremental costs of obtaining a contract with customers are charged to profit or loss when the relevant contracts are completed.

As a result of this change in accounting policy, the Group has capitalised incremental costs of obtaining a contract with customers paid/payable that are related to property sales contracts amounting to RMB68,303,000, decreased deferred tax assets by RMB17,076,000, increased retained profits by RMB50,466,000 and increased non-controlling interests by RMB761,000 at 1 January 2018.

Accounting for consideration received from customer in advance

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

Upon adoption of HKFRS 15, the Group has recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group has elected to apply the practical expedient and has not recognised 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 other payables and accruals to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 has had no significant impact on the opening retained profits and receipts in advance as at 1 January 2018.

Amendments to HKAS 40 *Transfers of Investment Property*

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

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment, property management, land development and project management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment, land development segment and project management segment are combined with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 5 below.

The Group's revenue from external customers is derived solely from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

During the years ended 31 December 2018 and 31 December 2017, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of properties	**17,224,700**	15,573,839
Property management fees	**336,678**	270,295
Land development income	**–**	85,691
Project management income	**90,546**	51,921
Revenue from other sources		
Gross rental income	**130,962**	123,499
	17,782,886	16,105,245

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**87,924**	41,085
Forfeiture income on deposits received	**6,668**	17,061
Gain on disposal of items of property and equipment, net	**11,190**	1,601
Gain on deemed disposal of a subsidiary upon loss of control	**–**	20,903
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	**166,338**	–
Fair value gain on remeasurement of investment in an associate	**21,097**	–
Others	**93,420**	42,162
	386,637	122,812

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings, senior notes and domestic bonds	**2,133,590**	1,567,441
Increase in a discounted amount of provision for major overhauls arising from the passage of time	**2,044**	1,741
Total interest expense on financial liabilities not at fair value through profit or loss	**2,135,634**	1,569,182
Less: Interest capitalised	**(1,733,948)**	(1,177,134)
	401,686	392,048

7. 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	**11,298,108**	10,342,470
Cost of services provided	**338,012**	277,427
Depreciation	**33,065**	21,580
Amortisation of land lease payments	**8,281**	17,271
Amortisation of an intangible asset	**170**	164
Provision for major overhauls	**5,228**	5,003
Minimum lease payments under operating leases for land and buildings	**37,040**	15,409
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	**434**	441
Auditor's remuneration	**4,250**	3,600
Employee benefit expenses (including directors' remuneration):		
Salaries and other staff costs	**897,123**	494,570
Equity-settled share option expense	**17,537**	53,965
Pension scheme contributions	**143,173**	64,035
Less: Amount capitalised	**(429,402)**	(143,260)
	628,431	469,310
Foreign exchange losses, net	**78,141**	135,081
Fair value gain of derivative financial instruments — transactions not qualifying as hedges	**(166,338)**	–
Fair value loss of derivative financial instruments — transactions not qualifying as hedges	**–**	332,561
Fair value loss of financial assets at fair value through profit or loss	**39,285**	–
Fair value gain on remeasurement of investment in an associate	**(21,097)**	–
Loss on deemed acquisition of subsidiaries, net	**26,983**	–
Write down to net realisable value of completed properties held for sale	**–**	66,698
Loss on disposal of investment properties, net	**11,988**	10,171
Gain on disposal of items of property and equipment, net	**(11,190)**	(1,601)

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	2018	2017
	RMB'000	*RMB'000*
Current charge for the year:		
PRC corporate income tax	**1,294,115**	1,232,289
PRC land appreciation tax	**981,564**	645,488
Under/(over)-provision in prior years, net:		
Mainland China	**61,056**	(3,967)
	2,336,735	1,873,810
Deferred	**38,898**	138,281
Total tax charge for the year	**2,375,633**	2,012,091

9. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Interim — HK7 cents (2017: HK6 cents) per ordinary share	**225,993**	195,429
Proposed final — HK14 cents (2017: HK13 cents) per ordinary share	**507,589**	413,984
	733,582	609,413

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 3,855,128,016 (2017: 3,553,155,068) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculations	**3,385,284**	2,840,035

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,855,128,016**	3,553,155,068
Effect of dilution — weighted average number of ordinary shares:		
Share options	**81,613,520**	69,174,117
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**3,936,741,536**	3,622,329,185

11. TRADE RECEIVABLES

The Group's trade receivables arise from the sales of properties, leasing of investment properties and provision of property management services.

Consideration in respect of the sales of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period of three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date and invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Current to 90 days	**393,387**	33,228
91 to 180 days	**287**	18,022
181 to 365 days	**9**	5,037
Over 365 days	**8,102**	1,347
	401,785	57,634

The financial impact of ECL for trade receivables under HKFRS 9 is insignificant for the year ended 31 December 2018.

The ageing analysis of the trade receivables as at 31 December 2017 that were not considered to be impaired under HKAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	57,632
1 to 6 months past due	2
	57,634

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of diversified customers with no recent history of default and had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Within 1 year	**8,208,575**	3,014,497
Over 1 year	**138,558**	137,706
	8,347,133	3,152,203

The trade and bills payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2018, the overall economic environment in the PRC was full of challenges. External challenges and variables increased significantly, impact of domestic structural adjustment remained and downward pressure on economic operations increased. The real estate control policies had become normalised with unsuccessful land bids occurring and tight corporate funding. However, in this environment, the sales, start-up and land purchases of the real estate industry still increased. The property prices in first-tier and certain popular second-tier cities remained stable with sales rate declined. Demand in third- and fourth-tier cities remained strong, leading to certain increases in property prices and transaction volume in those third- and fourth-tier cities.

Throughout 2018, the transaction volume and average selling price of commodity housing in the PRC took a moderate upward trend. According to the "National Real Estate Development and Sales in January to December 2018" (《2018年1-12月全國房地產開發投資和銷售情況》) issued by the National Bureau of Statistics of the PRC, the sales area of national commodity housing amounted to approximately 1.72 billion sq.m. in 2018, representing an increase of 1.3% as compared with that of last year, of which the sales area of residential housing increased by 2.2% year-on-year. The sales amount of national commodity housing amounted to approximately RMB14,997.3 billion, representing a year-on-year increase of 12.2%, of which the sales amount of residential housing increased by 14.7% as compared with that of last year.

BUSINESS REVIEW

Contracted Sales

In 2018, the Group together with its joint ventures and associates outperformed its annual sales target of RMB50.0 billion and achieved a record-high contracted sales amount reaching approximately RMB51.358 billion (including the contracted sales amount of approximately RMB23.121 billion from the joint ventures and associates) and contracted sales area of approximately 4.15 million sq.m. (including the contracted sales area of approximately 1.71 million sq.m. from the joint ventures and associates) for the year, representing an increase of approximately 54.5% and 116.7% as compared with that of last year, respectively.

In 2018, the Group together with its joint ventures and associates had an aggregate of over 100 projects for sale in 31 cities, mainly in second-tier and strong third-tier cities. Among which 57 projects were newly launched in the year and 28 new projects were launched by the Group, details of which are listed as follows:

City	**Project Name**
Shanghai	The Glamour
Shenzhen	Cloudview Palace
Chongqing	The Royal Bay
Chongqing	Cloudview Terrace
Chongqing	Imperial Terrace
Suzhou	Cloudview Terrace
Hangzhou	Parkview Bay
Nanjing	6 Park Square Phase 2
Jinan	Uptown
Xuzhou	Golden Riviera
Xuzhou	Garden Terrace
Quanzhou	Imperial Terrace
Quanzhou	Imperial Manor Phase 1
Quanzhou	Imperial Manor Phase 2
Quanzhou	Cloudview Palace
Quanzhou	Marina Bay
Quanzhou	Sunshine Park
Quanzhou	Parkview Palace
Quanzhou	Enjoy City
Zhangzhou	Sunshine City
Zhangzhou	Cloudview Terrace
Huizhou	Royal Terrace
Huizhou	The Royal Bay
Luoyang	The Royal Bay
Shangrao	Royal Palace
Jiujiang	The Royal Bay
Tangshan	Sunshine City
Dezhou	The Royal Bay

The contracted sales realised by the Group together with its joint ventures and associates during the year are set out below:

By City

City	Contracted Sales Area *(sq.m.)*	Contracted Sales Amount *(RMB Million)*	Percentage of Contracted Sales Amount *(%)*
Beijing	125,021	3,685	7.2
Shanghai	79,964	3,494	6.8
Chongqing	512,038	4,761	9.3
Tianjin	278,257	4,507	8.8
Nanjing	192,208	5,303	10.3
Jinan	162,741	2,260	4.4
Nanchang	213,636	2,094	4.1
Xuzhou	225,953	2,241	4.4
Quanzhou	987,441	8,680	16.9
Zhangzhou	270,528	2,914	5.7
Others	1,101,068	11,419	22.1
Total	4,148,855	51,358	100.0

From the perspective of distribution among cities, contracted sales in Nanjing, Chongqing and Tianjin have been the most remarkable among the second-tier cities, amounting to approximately RMB5.303 billion, RMB4.761 billion and RMB4.507 billion respectively. Sales of properties has recorded excellent sales result in all projects launched. In addition, contracted sales in Quanzhou have been the most remarkable among the third-tier cities, with contracted sales amounting to approximately RMB8.680 billion, accounting for approximately 16.9% of the overall contracted sales amount.

By Region

Region	Contracted Sales Area *(sq.m.)*	Contracted Sales Amount *(RMB Million)*	Percentage of Contracted Sales Amount *(%)*
Yangtze River Delta Economic Zone	892,767	16,157	31.5
West Taiwan Strait Economic Zone	1,491,372	13,824	26.9
Bohai Rim Economic Zone	848,226	12,439	24.2
Central Western Region	721,341	5,868	11.5
Guangdong-Hong Kong-Macao Greater Bay Area	195,149	3,070	5.9
Total	4,148,855	51,358	100.0

From the perspective of regions, the Group launched new projects in the Yangtze River Delta Economic Zone, West Taiwan Strait Economic Zone and Bohai Rim Economic Zone. The proportion of contracted sales amount of the Group together with its joint ventures and associates in these regions became the highest, amounting to approximately 31.5%, 26.9% and 24.2% respectively. The Yangtze River Delta Economic Zone achieved the highest amount of increase of 87.2% as compared with that of last year, reaching RMB16.157 billion.

By City Tier

City Tier	**Contracted Sales Area** *(sq.m.)*	**Contracted Sales Amount** *(RMB Million)*	**Percentage of Contracted Sales Amount** *(%)*
First-tier cities	221,027	7,717	15.0
Second-tier cities	1,663,330	22,249	43.3
Third- and fourth-tier cities	2,264,498	21,392	41.7
Total	4,148,855	51,358	100.0

From the perspective of city tier, the contracted sales amounts of the Group together with its joint ventures and associates in the second-tier and third- and fourth-tier cities have been rising as compared to the corresponding period of last year and accounted for approximately 43.3% and 41.7% respectively, by which, significant achievement due to the Group's strategy of speeding up the launch of new projects in the second-tier and strong third-tier cities in 2018 has been demonstrated.

Recognised Property Sales Income

In 2018, the Group achieved recognised property sales income of approximately RMB17.225 billion and area of properties delivered of approximately 1.07 million sq.m., representing a year-on-year increase of approximately 10.6% and decrease of approximately 15.1% respectively. The average selling price of properties was approximately RMB16,143 per sq.m., representing a year-on-year increase of approximately 30.2%. Details of the Group's recognised property sales income are as follows:

By City

City	Recognised Property Sales Area *(sq.m.)*	Recognised Property Sales Income *(RMB Million)*	Percentage of Recognised Property Sales Income *(%)*
Beijing	93,793	4,236	24.6
Shanghai	69,798	3,740	21.7
Tianjin	98,299	1,520	8.8
Hangzhou	147,890	1,432	8.3
Nanjing	90,573	1,094	6.4
Nanchang	155,221	1,760	10.2
Quanzhou	242,160	2,136	12.4
Others	169,279	1,307	7.6
Total	1,067,013	17,225	100.0

By Region

Region	Recognised Property Sales Area *(sq.m.)*	Recognised Property Sales Income *(RMB Million)*	Percentage of Recognised Property Sales Income *(%)*
Yangtze River Delta Economic Zone	308,261	6,267	36.4
West Taiwan Strait Economic Zone	462,364	4,452	25.9
Bohai Rim Economic Zone	218,266	6,011	34.9
Central Western Region	72,580	299	1.7
Guangdong-Hong Kong-Macao Greater Bay Area	5,542	196	1.1
Total	1,067,013	17,225	100.0

By City Tier

City Tier	Recognised Property Sales Area	Recognised Property Sales Income	Percentage of Recognised Property Sales Income
	(sq.m.)	*(RMB Million)*	*(%)*
First-tier cities	169,133	8,172	47.4
Second-tier cities	491,982	5,807	33.7
Third- and fourth-tier cities	405,898	3,246	18.9
Total	1,067,013	17,225	100.0

Land Bank

As at 31 December 2018, the Group together with its joint ventures and associates had a land bank with an aggregate planned gross floor area ("**GFA**") of approximately 24.06 million sq.m., of which the aggregate planned GFA attributable to the Group was approximately 13.15 million sq.m. and distributed in 34 cities. In 2018, the Group together with its joint ventures and associates acquired 47 projects in total, with an aggregate above-ground GFA of approximately 9.00 million sq.m., at an aggregate land costs of approximately RMB38.923 billion (the attributable land costs was approximately RMB17.295 billion). The average land cost was approximately RMB4,327 per sq.m. The new land acquisitions in 2018 were as follows:

City	Project	Type of Property	Above-ground GFA	Land Cost	Average Land Cost	Percentage of Interest Attributable to the Group
			(sq.m.)	*(RMB Million)*	*(RMB per sq.m.)*	*(%)*
Bohai Rim Economic Zone						
Beijing	Royal River Villa	Residential	58,878	3,365	57,152	20
Tianjin	Peaceful Residence	Residential	43,520	263	6,036	13
Tianjin	Wonderland Mile	Residential	75,237	765	10,168	31
Tangshan	Sunshine City	Residential and commercial	167,146	219	1,314	90
Linfen	SCE International Community Phase 5	Residential	8,666	10	1,145	70
Yangtze River Delta Economic Zone						
Shanghai	Gala Fun	Commercial	98,266	1,031	10,488	100
Hangzhou	Majestic Mansion	Residential	155,080	1,135	7,319	25
Suzhou	Cloudview Terrace	Residential	106,563	704	6,610	95
Suzhou	Seal of Highness	Residential and commercial	206,131	1,233	5,981	51
Nanjing	Cloudview Pavilion	Residential and commercial	218,215	1,390	6,370	49

City	Project	Type of Property	Above-ground GFA *(sq.m.)*	Land Cost *(RMB Million)*	Average Land Cost *(RMB per sq.m.)*	Percentage of Interest Attributable to the Group *(%)*
Nanjing	Nanjing Project	Residential and commercial	41,339	350	8,467	50
Ningbo	Parkview Palace	Residential	107,433	1,375	12,800	51
Wuxi	The Royal Bay	Residential and commercial	226,278	1,053	4,654	39
Wuxi	Luxury House	Residential	216,438	1,730	7,993	32
Xuzhou	Parkview Palace	Residential and commercial	58,620	238	4,060	29
Jiaxing	Dream City	Residential and commercial	120,102	850	7,080	8
Jiaxing	Star City (Tingqiao Village)	Residential and commercial	89,089	631	7,080	12
Jiaxing	Metropolis	Residential and commercial	144,153	1,021	7,080	48
Jiaxing	Star City (Jingyi Road West)	Residential and commercial	107,693	762	7,080	28
Yangzhou	Light of the Future	Residential	84,847	176	2,079	16
Lianyungang	The Royal Bay	Residential and commercial	58,626	52	886	60
West Taiwan Strait Economic Zone						
Xiamen	Central Park	Residential and commercial	116,000	2,910	25,086	24
Xiamen	Polaris Palace	Residential and commercial	102,000	3,805	37,304	100
Nanchang	Imperial Manor	Residential	80,491	376	4,670	21
Quanzhou	Sunshine Park	Residential and commercial	55,570	99	1,773	50
Quanzhou	Cloudview Palace	Residential	97,615	44	453	41
Quanzhou	Champagne Cloudcity	Residential and commercial	142,504	145	1,018	20
Quanzhou	Parkview Palace	Residential	247,924	163	659	80
Quanzhou	Century Mansion	Residential and commercial	59,610	136	2,281	40
Jiujiang	The Royal Bay	Residential and commercial	95,049	223	2,346	41
Zhangzhou	Cloudview Terrace	Residential	146,481	267	1,823	75
Zhangzhou	Cloudview Center	Residential and commercial	178,137	642	3,604	50
Shangrao	Royal Palace (Dongtou)	Residential and commercial	221,144	302	1,368	27
Shangrao	Royal Palace	Residential and commercial	104,520	290	2,770	90

City	Project	Type of Property	Above-ground GFA	Land Cost	Average Land Cost	Percentage of Interest Attributable to the Group
			(sq.m.)	*(RMB Million)*	*(RMB per sq.m.)*	*(%)*
Central Western Region						
Chongqing	Meridian Avenue	Residential and commercial	189,628	702	3,701	32
Chongqing	Nebula Mansion	Residential	143,858	792	5,504	18
Chongqing	Campus Park	Residential and commercial	558,947	2,037	3,645	17
Chongqing	Cloud View	Residential and commercial	359,161	1,820	5,067	50
Chongqing	Imperial Terrace	Residential and commercial	389,274	671	1,725	47
Chongqing	Chongqing Project (Dadukou)	Residential and commercial	339,970	1,487	4,373	32
Chongqing	Mountain Mansions	Residential and commercial	279,497	1,118	4,000	32
Chongqing	Chongqing Project	Residential and commercial	123,542	568	4,599	50
Chengdu	Chengdu Project	Residential	117,442	734	6,250	33
Kunming	Cloud Valley	Residential and commercial	1,847,314	884	478	70
Luoyang	The Royal Bay	Residential	308,364	70	226	80
Shangqiu	Parkview Palace	Residential	63,088	57	900	85
Shangqiu	Cloudview Terrace	Residential and commercial	236,249	228	964	85
			8,995,699	38,923	4,327	

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly derives from sales of properties, rental income, property management fees, land development income and project management income.

The annual revenue increased by approximately 10.4% from approximately RMB16,105,245,000 in 2017 to approximately RMB17,782,886,000 in 2018, which was attributable to the increase in property sales income.

- **Sales of properties**

  Income from property sales increased by approximately 10.6% from approximately RMB15,573,839,000 in 2017 to approximately RMB17,224,700,000 in 2018. Delivered area decreased by approximately 15.1% from 1,256,275 sq.m. in 2017 to 1,067,013 sq.m. in 2018. The average unit selling price increased from approximately RMB12,397 per sq.m. in 2017 to approximately RMB16,143 per sq.m. in 2018.

- **Rental income**

  Rental income increased by approximately 6.0% from approximately RMB123,499,000 in 2017 to approximately RMB130,962,000 in 2018.

- **Property management fees**

  Property management fees increased significantly by approximately 24.6% from approximately RMB270,295,000 in 2017 to approximately RMB336,678,000 in 2018, which was mainly attributable to the increase in number and floor area of properties under management.

- **Land development income**

  Land development income amounted to RMB85,691,000 in 2017, which was attributable to pre-construction and preparation work provided for certain land parcels in Quanzhou.

- **Project management income**

  The project management income increased significantly by approximately 74.4% from approximately RMB51,921,000 in 2017 to approximately RMB90,546,000 in 2018, which was attributable to the project management service and other property related service income provided to joint ventures.

Gross Profit

Gross profit increased by approximately 12.1% from approximately RMB5,485,184,000 in 2017 to approximately RMB6,146,596,000 in 2018. Gross profit margin increased from approximately 34.1% in 2017 to approximately 34.6% in 2018.

Other Income and Gains

Other income and gains increased significantly by approximately 214.8% from approximately RMB122,812,000 in 2017 to approximately RMB386,637,000 in 2018. The significant increase in other income and gains was mainly attributable to fair value gain of derivative financial instruments — transactions not qualifying as hedges of approximately RMB166,338,000, while there was no such income in 2017.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties decreased by approximately 14.3% from approximately RMB1,262,744,000 in 2017 to approximately RMB1,082,540,000 in 2018. The fair value gains of investment properties during the year were mainly attributable to the value appreciation of office buildings of SCE Plaza in Shanghai and shopping mall of World City in Nan'an.

Selling and Marketing Expenses

Selling and marketing expenses decreased by approximately 24.9% from approximately RMB530,538,000 in 2017 to approximately RMB398,421,000 in 2018. The decrease in selling and marketing expenses was mainly attributable to the capitalisation of sales commission resulting from the implementation of HKFRS 15.

Administrative Expenses

Administrative expenses increased significantly by approximately 34.8% from approximately RMB963,431,000 in 2017 to approximately RMB1,298,702,000 in 2018. The increase in administrative expenses was mainly attributable to the increase in administrative staff costs to cope with the needs of business expansion to several new cities.

Finance Costs

Finance costs increased by approximately 2.5% from approximately RMB392,048,000 in 2017 to approximately RMB401,686,000 in 2018. Finance costs mainly represented partial borrowing costs which have not been capitalised as certain borrowings were not used for project developments. Due to the increase in bank and other borrowings (including senior notes and domestic bonds), total interest expense increased significantly by approximately 36.1% from approximately RMB1,569,182,000 in 2017 to approximately RMB2,135,634,000 in 2018.

Share of Profits and Losses of Joint Ventures

Share of profits of joint ventures decreased significantly by approximately 37.0% from approximately RMB814,542,000 in 2017 to approximately RMB513,275,000 in 2018. The profits for the year were mainly attributed by the fair value gains of investment properties of joint ventures.

Income Tax Expense

Income tax expense increased by approximately 18.1% from approximately RMB2,012,091,000 in 2017 to approximately RMB2,375,633,000 in 2018. The increase in income tax expense was mainly due to more provision for land appreciation tax made as a result of relative high appreciation rate of certain projects.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent increased by approximately 19.2% from approximately RMB2,840,035,000 in 2017 to approximately RMB3,385,284,000 in 2018. Basic earnings per share amounted to approximately RMB87.8 cents in 2018. Core profit attributable to owners of the parent increased by approximately 15.6% from approximately RMB1,903,001,000 in 2017 to approximately RMB2,200,040,000 in 2018.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2018, the Group's cash and bank balances were denominated in different currencies as set out below:

	2018	2017
	RMB'000	*RMB'000*
Renminbi	**16,880,927**	8,447,052
Hong Kong dollars	**1,902,693**	815,394
US dollars	**1,189,195**	379,679
Total cash and bank balances	**19,972,815**	9,642,125

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also places certain deposits in banks in the PRC to secure certain bills issued from banks in the PRC. As at 31 December 2018, the amounts of restricted cash and pledged deposits were approximately RMB4,409,592,000 (31 December 2017: approximately RMB1,471,342,000) and approximately RMB47,909,000 (31 December 2017: approximately RMB25,300,000), respectively.

Borrowings and Pledged Assets

The maturity of the borrowings of the Group as at 31 December 2018 is as follows:

	2018	2017
	RMB'000	*RMB'000*
Bank and other borrowings:		
Within one year or on demand	**10,537,381**	4,481,209
In the second year	**2,977,463**	6,514,771
In the third to fifth years, inclusive	**6,358,405**	1,556,755
Beyond fifth year	**258,752**	78,720
	20,132,001	12,631,455
Senior notes and domestic bonds:		
Within one year or on demand	**–**	3,477,192
In the second year	**5,791,736**	–
In the third to fifth years, inclusive	**7,413,908**	5,414,433
	13,205,644	8,891,625
Total borrowings	**33,337,645**	21,523,080

The borrowings were denominated in different currencies as set out below:

	2018	2017
	RMB'000	*RMB'000*
Bank and other borrowings:		
Renminbi	**15,060,183**	10,104,260
Hong Kong dollars	**2,737,042**	–
US dollars	**2,334,776**	2,527,195
	20,132,001	12,631,455
Senior notes and domestic bonds:		
Renminbi	**3,428,726**	3,477,192
US dollars	**9,776,918**	5,414,433
	13,205,644	8,891,625
Total borrowings	**33,337,645**	21,523,080

As at 31 December 2018, approximately RMB15,060,183,000 (31 December 2017: approximately RMB10,104,260,000) of bank and other borrowings was secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with a total carrying value of approximately RMB36,950,279,000 (31 December 2017: approximately RMB19,497,384,000), and capital stocks of certain subsidiaries. The senior notes of US$350 million at a coupon rate of 10.0% due 2020 issued in July 2015 (the "**2015 Senior Notes**"), the senior notes of US$500 million at a coupon rate of 5.875% due 2022 issued in March 2017 and April 2017 (the "**2017 Senior Notes**"), the senior notes of US$600 million at a coupon rate of 7.45% due 2021 issued in April 2018 (the "**2018 Senior Notes**") and approximately RMB4,833,471,000 (31 December 2017: approximately RMB2,301,298,000) of bank and other borrowings were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 31 December 2018, except for certain bank and other borrowings of approximately RMB5,915,320,000 (31 December 2017: approximately RMB5,195,760,000) bearing interest at fixed interest rates, all the Group's bank and other borrowings bear interest at floating interest rates. The 2015 Senior Notes, the 2017 Senior Notes, the 2018 Senior Notes and the domestic corporate bonds of RMB1,974,058,000 at an adjusted coupon rate of 7.6% due 2020 issued in October 2015 and the domestic corporate bonds of RMB1,470,200,000 at an adjusted coupon rate of 7.6% due 2020 issued in December 2015 bear interest at fixed interest rates.

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, senior notes and domestic bonds after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 31 December 2018, the net gearing ratio was approximately 60.4% (31 December 2017: 71.8%).

Exchange Rate Fluctuation Exposures

The Group's businesses are located in the PRC and all of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB. The majority of the Group's assets and liabilities are denominated in RMB. As at 31 December 2018, except for certain bank deposits, financial assets at fair value, bank and other borrowings, derivative financial instruments, the 2015 Senior Notes, the 2017 Senior Notes and the 2018 Senior Notes which were denominated in foreign currencies, exchange rate changes of RMB against foreign currencies will not have material adverse effect on the results of operations of the Group.

During 2018, the Group had entered into certain capped forward cross currency swap contracts to mitigate the currency risk exposure of foreign currency denominated indebtedness. As at 31 December 2018, the Group had entered into capped forward cross currency swap contracts with an aggregate contract amount of US$300 million. Save as disclosed above, no other foreign currency hedging arrangement was made as at 31 December 2018. The Group will closely monitor its exposure to fluctuation in foreign currency exchange rates.

OUTLOOK

Since the third quarter of 2018, real estate sales have continued to slow down. The wait-and-see sentiment continued to heat up, especially in third- and fourth-tier cities. In the face of the uncertainties in the Chinese economy and friction in trade between China and the United States of America. The Group believes that the Chinese monetary policy hopefully will be relatively loose in 2019 to ensure liquidity in the market and ease financial strain in the real estate sector. Under the orderly control of the central and local governments, the "Policy by City" real estate control policies will likely to be partially loosened in 2019.

In 2019, we expect the overall policy of first-tier cities to remain stricter. The "restrictions on property price" policies will not be loosened easily, but the transaction volume is likely to bottom out and head back upwards. The control policies in second-tier cities are more likely to be loosened. The "restrictions on property price" policies will lead to a slight increase in the transaction volume and prices in certain second-tier cities. The over-priced property prices in third- or fourth-tier cities may decline. Based on the above expectations, the Group's land acquisition strategy will continue to focus on first-tier, second-tier cities and strong third-tier cities in the current five key areas. We hope to capture the best timing in acquiring land at a lower price and actively supplement the land bank in preparation for its saleable resources in future.

In the long run, we remain optimistic about the prospects of real estate in China. In view of the urbanisation development and metropolitan, we believe that, apart from first-tier cities, continuous emigration toward core second-tier cities and surrounding strong third-tier cities will occur.

For the sake of better future, the Group expands its business into the "Fun+ Happy Life" Ecosystem (「FUN+幸福生活」生態圈) based on the study on consumption upgrades and customers' lifestyle. The Group will develop new business segments such as Funlive apartment, Funwork co-working space, fitness, health and education etc., the Group is dedicated to lead the trend of future smart living, so as to bring a better working and living experience to its customers. The Group's first Funlive high-end project, Shanghai Funlive SCE Plaza International Apartment was officially opened in December this year. The Group will focus on four first-tier cities, Beijing, Shanghai, Guangzhou and Shenzhen as well as second-tier cities, Hangzhou, Nanjing, etc. It plans to lay out 50,000 to 100,000 long-term rental apartments in the core first- and second-tier cities in three to five years, to become an excellent operator in the field of quality apartments in China.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**Annual General Meeting**") of the Company will be held on Monday, 6 May 2019. Notice of the Annual General Meeting will be published and dispatched in accordance with the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in due course.

DIVIDEND

The Board has proposed the payment of a final dividend of HK14 cents per ordinary share for the year ended 31 December 2018. The proposed final dividend, subject to approval by the shareholders of the Company at the forthcoming Annual General Meeting, will be paid on or around Friday, 5 July 2019 to the shareholders whose names appear on the register of members of the Company on Wednesday, 5 June 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(a) for the purpose of determining shareholders who are entitled to attend and vote at the Annual General Meeting to be held on Monday, 6 May 2019, the register of members of the Company will be closed from Tuesday, 30 April 2019 to Monday, 6 May 2019, both days inclusive, during which no transfer of shares can be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 29 April 2019; and

(b) for the purpose of determining shareholders who are qualified for the proposed final dividend, subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting, the register of members of the Company will be closed on Wednesday, 5 June 2019. In order to qualify for the proposed final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 4 June 2019.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 6 January 2010 in compliance with rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman, and Mr. Lu Hong Te and Mr. Dai Yiyi as members. Mr. Ting Leung Huel Stephen, the chairman of the Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of rule 3.10(2) of the Listing Rules.

The Audit Committee has reviewed the accounting policies adopted by the Group, the consolidated financial statements of the Group for the year ended 31 December 2018 and this annual results announcement.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes to the consolidated financial statements thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company's external auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have strictly complied with the Model Code during the year under review.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

CORPORATE GOVERNANCE

During the year ended 31 December 2018, save as disclosed below, the Company and the Board have been in compliance with the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules:

Under Paragraph A.2.1 in of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year, Mr. Wong Chiu Yeung performed his duties as both the chairman and the chief executive officer of the Company. The Board believes that the serving by the same individual as chairman and chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND OF THE COMPANY

This results announcement of the Company for the year ended 31 December 2018 is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.sce-re.com.

By order of the Board
China SCE Group Holdings Limited
Wong Chiu Yeung
Chairman

Hong Kong, China, 20 March 2019

As at the date of this announcement, the executive Directors are Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok, Mr. Huang Youquan and Mr. Wong Lun; and the independent non-executive Directors are Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi.