Gemdale Properties and Investment Corporation Limited
金地商置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 535)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2018	2017	Change
	RMB'000	RMB'000	%
		(Restated)	
Revenue	**7,079,136**	4,711,019	+ 50
Gross profit	**4,108,955**	1,859,468	+ 121
Other income and gains	**588,247**	425,992	+ 38
Share of results of joint ventures and associates	**1,341,392**	1,192,752	+ 12
Profit after tax	**2,752,139**	1,807,248	+ 52
Profit attributable to owners of the Company	**2,252,622**	1,643,529	+ 37
Earnings per share attributable to owners of the Company			
- Basic (RMB)	**0.1419**	0.1039	+ 37
- Diluted (RMB)	**0.1396**	0.1029	+ 36
	31 December 2018	31 December 2017	Change
	RMB'000	RMB'000	%
Deposits, bank and cash balances	**3,237,920**	5,395,765	− 40
Total assets	**51,987,757**	43,668,752	+ 19
Net assets	**13,870,385**	13,047,628	+ 6

* *For identification purpose only*

ANNUAL RESULTS

The board of directors (the "Directors") of Gemdale Properties and Investment Corporation Limited (the "Company") announces the consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2018 together with the relevant comparative figures.

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000 (Restated)
Revenue	*3*	**7,079,136**	4,711,019
Cost		**(2,970,181)**	(2,851,551)
Gross profit		**4,108,955**	1,859,468
Direct operating expenses		**(1,233,079)**	(948,062)
Other income and gains	*3*	**588,247**	425,992
Changes in fair values of investment properties		**324,144**	545,840
Administrative expenses		**(92,189)**	(82,373)
Finance costs	*4*	**(249,776)**	(241,843)
Share of profits and losses of:			
Joint ventures		**1,347,197**	1,189,781
Associates		**(5,805)**	2,971
Profit before tax	*5*	**4,787,694**	2,751,774
Tax	*6*	**(2,035,555)**	(944,526)
Profit for the year		**2,752,139**	1,807,248
Attributable to:			
Owners of the Company		**2,252,622**	1,643,529
Non-controlling interests		**499,517**	163,719
		2,752,139	1,807,248
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	*7*	**0.1419**	0.1039
- Diluted (RMB)	*7*	**0.1396**	0.1029

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	2018 **RMB'000**	2017 RMB'000
Profit for the year	**2,752,139**	1,807,248
Other comprehensive (loss)/income		
- Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		
Exchange differences:		
Exchange differences on translation of foreign operations	**(512,540)**	597,880
Share of exchange differences on translation of foreign operations of joint ventures	**86,022**	(99,659)
Release upon deregistration of subsidiaries	**-**	(6,966)
Release upon disposal of subsidiaries	**59,590**	-
Debt investment at fair value through other comprehensive income:		
Change in fair value, net of tax	**691**	-
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(366,237)**	491,255
- Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods		
Exchange differences:		
Exchange differences on translation of foreign operations	**307,537**	(470,724)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	**8,292**	-
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**315,829**	(470,724)
Other comprehensive (loss)/income for the year, net of tax	**(50,408)**	20,531
Total comprehensive income for the year	**2,701,731**	1,827,779
Attributable to:		
Owners of the Company	**2,182,779**	1,682,162
Non-controlling interests	**518,952**	145,617
	2,701,731	1,827,779

Consolidated Statement of Financial Position

31 December 2018

	Note	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**126,963**	63,372
Investment properties		**8,839,014**	6,366,809
Intangible assets		**39,848**	48,076
Prepayments, deposits and other receivables		**1,869,398**	2,046,634
Investments in joint ventures		**7,803,183**	5,872,493
Investments in associates		**2,620,385**	632,736
Available-for-sale financial investments		**-**	60,045
Equity investments designated at fair value through other comprehensive income		**143,742**	-
Debt investment at fair value through other comprehensive income		**18,814**	-
Deferred tax assets		**965,358**	554,852
Total non-current assets		**22,426,705**	15,645,017
CURRENT ASSETS			
Properties held for sale		**3,935,273**	1,395,639
Properties under development		**12,410,071**	13,562,264
Prepayment for acquisitions of a land use right		**-**	241,765
Trade receivables	9	**18,061**	17,472
Prepayments, deposits and other receivables		**3,278,784**	4,139,497
Loans to joint ventures		**1,084,622**	948,397
Loans to related companies		**2,261,200**	370,000
Loans to non-controlling shareholders		**57,155**	41,377
Due from the ultimate holding company		**21,072**	-
Due from fellow subsidiaries		**8,493**	4,958
Due from joint ventures		**1,313,421**	127,702
Due from associates		**145,662**	-
Due from non-controlling shareholders		**247,490**	212,652
Due from related companies		**3,006**	564
Prepaid tax		**675,920**	410,128
Restricted cash		**862,902**	1,155,555
Deposits, bank and cash balances		**3,237,920**	5,395,765
Total current assets		**29,561,052**	28,023,735

Consolidated Statement of Financial Position (continued)

31 December 2018

	Note	**2018 RMB'000**	2017 RMB'000
CURRENT LIABILITIES			
Trade payables	10	**2,010,954**	1,537,372
Advanced receipts, accruals and other payables		**20,025,204**	14,637,328
Interest-bearing bank and other borrowings		**1,310,181**	1,087,557
Loans from the ultimate holding company		**948,641**	5,240,113
Loans from a fellow subsidiary		**132,460**	-
Loans from joint ventures		**23,175**	154,000
Loans from an associate		**292,040**	-
Due to the ultimate holding company		**71,051**	2,723
Due to fellow subsidiaries		**104,010**	120,158
Due to joint ventures		**4,010,559**	1,856,269
Due to associates		**1,195,574**	10,000
Due to non-controlling shareholders		**203,357**	100,030
Due to a related company		**1,818**	2,760
Tax payable		**3,393,054**	1,849,866
Total current liabilities		**33,722,078**	26,598,176
NET CURRENT (LIABILITIES)/ASSETS		**(4,161,026)**	1,425,559
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,265,679**	17,070,576
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings		**750,331**	469,199
Loans from a fellow subsidiary		**2,604,478**	2,593,722
Deferred tax liabilities		**1,040,485**	960,027
Total non-current liabilities		**4,395,294**	4,022,948
NET ASSETS		**13,870,385**	13,047,628
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**1,439,211**	1,438,153
Reserves		**10,395,950**	9,476,672
		11,835,161	10,914,825
Non-controlling interests		**2,035,224**	2,132,803
TOTAL EQUITY		**13,870,385**	13,047,628

Notes:

1. BASIS OF PREPARATION

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

The Group recorded net current liabilities of RMB4,161,026,000 which included sales deposit received from pre-sales of properties of RMB19,126,077,000 as at 31 December 2018. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash inflow from the operations, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 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 and HKFRS 15, the adoption of the above revised standards has had no significant financial effect on the financial information.

Change in accounting policies

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.

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 HKAS 39.

Classification and measurement

The main effects resulting from the application of HKFRS 9 are as follows:

	AFSFI RMB'000	FA at FVOCI RMB'000	Effect on FA at FVOCI reserves RMB'000
At 1 January 2018			
Opening balance – HKAS 39	60,045	-	-
Reclassify non-trading unlisted investments from available-for-sale financial investments ("AFSFI") to financial assets at fair value through other comprehensive income ("FA at FVOCI")	(60,045)	60,045	-
Adjustment under HKFRS 9	-	(269)	(269)
Opening balance – HKFRS 9	-	59,776	(269)

Unlisted investments with fair value of RMB59,776,000 were reclassified from AFSFI to FA at FVOCI on 1 January 2018.

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 contract asset and liability account balances between periods and key judgements and estimates.

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.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Increase/(decrease) RMB'000
Assets	
Investments in joint ventures	(489,011)
Investments in associates	3,793
Deferred tax assets	2,679
Properties held for sale	535,768
Prepayments, deposits and other receivables	46,165
Prepaid taxes	20,550
Total	119,944
Liabilities	
Advanced receipts, accruals and other payables	693,296
Tax payable	(15,525)
Total	677,771
Equity	
Retained profits	(547,608)
Non-controlling interests	(10,219)
Total	(557,827)

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

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

	HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Revenue	7,079,136	12,160,653	(5,081,517)
Cost of sales	2,970,181	5,522,203	(2,552,022)
Gross profit	4,108,955	6,638,450	(2,529,495)
Profit before tax	4,787,694	7,254,431	(2,466,737)
Tax	2,035,555	3,106,294	(1,070,739)
Profit for the year	2,752,139	4,148,137	(1,395,998)
Attributable to:			
Owners of the Company	2,252,622	3,605,138	(1,352,516)
Non-controlling interests	499,517	542,999	(43,482)
	2,752,139	4,148,137	(1,395,998)
Earnings per share attributable to owners of the Company			
- Basic (RMB)	0.1419	0.2272	(0.0853)
- Diluted (RMB)	0.1396	0.2234	(0.0838)

Consolidated statement of financial position as at 31 December 2018:

	HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Assets			
Investments in joint ventures	7,803,183	8,265,190	(462,007)
Investments in associates	2,620,385	2,603,922	16,463
Deferred tax assets	965,358	957,810	7,548
Properties held for sale	3,935,273	847,483	3,087,790
Prepayments, deposits and other receivables	5,148,182	5,078,933	69,249
Prepaid taxes	675,920	280,284	395,636
Total			3,114,679
Liabilities			
Advanced receipts, accruals and other payables	20,025,204	14,250,390	5,774,814
Tax payable	3,393,054	4,099,364	(706,310)
Total			5,068,504
Equity			
Other reserves	66,372	85,274	(18,902)
Retained profits	6,939,790	8,818,847	(1,879,057)
Non-controlling interests	2,035,224	2,091,090	(55,866)
Total			(1,953,825)

(i) Revenue recognition

Prior to the adoption of HKFRS 15, revenue from the sale of properties is recognised when the significant risks and rewards of the properties are passed to the purchasers when (i) an irrevocable sale and purchase contract has been entered into by both the buyer and the seller; (ii) the seller has received or obtained the right to receive all the consideration of the sale; (iii) the construction has been completed, and its quality has been inspected and accepted by the relevant government authorities; and (iv) the ready-for-delivery conditions under the sale and purchase contract have been fulfilled.

Under HKFRS 15, revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

- creates and enhances an asset that the customer controls as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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.

The Group has assessed that there is an enforceable right to payment from the customers for performance completed to date for few properties. Thus, majority of revenue from sale of properties will continue to be recognised at a point in time, when the purchasers obtain the physical possession of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(ii) Accounting for significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance under advanced receipts, accruals and other payables 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 recognised contract liabilities for the interest on the sales proceeds received from customers with a financing component if significant. 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 advanced receipts, accruals and other payables to contract liabilities for the outstanding balance of sales proceeds from customers.

(iii) Accounting for costs incurred for obtaining a contract

Prior to the adoption of HKFRS 15, the Group expenses off the sales commission associated with obtaining agreement for sale and purchase with property buyer. Upon adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised. Capitalised sales commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as direct operating expenses at that time.

(iv) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as sales deposits received. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB13,793,282,000 from sales deposits received to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB19,126,077,000 was reclassified from sales deposits received to contract liabilities in relation to the consideration received from customers in advance for the sale of properties.

(v) Other adjustments

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

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the property development segment – development and sale of residential and commercial properties;

(b) the property investment and management segment – investment and management of business parks and commercial properties;

(c) the micro-finance segment – provision of financial services to property buyers and small businesses; and

(d) the corporate segment – the Group's corporate management services.

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

Due to continuous growth of micro-financing business, management of the Group has reassessed the Group's segment reporting and decided that for financial reporting purposes, there is a new reportable operating segment as the resources allocation, performance assessment and decision making of the segment are assessed separately. The impacts of the abovementioned change in the Group's reportable operating segments for the year ended 31 December 2018 is considered retrospectively and the Group's operating segment information is restated as if microfinance had been reported as a separate segment in that year.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. No geographical segment information is presented as over 90% (2017: over 90%) of the Group's revenue is derived from customers based in Mainland China, and over 90% (2017: over 90%) of the Group's assets are located in Mainland China.

Segment assets exclude deferred tax assets, certain deposits, bank and cash balances, and prepaid tax as these assets are managed on a group basis. Segment liabilities exclude certain interest-bearing bank and other borrowings, tax payable, deferred tax liabilities, amounts due to the ultimate holding company, non-controlling shareholders, fellow subsidiaries and a related company, and certain loans from a fellow subsidiary as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

Year ended 31 December 2018	Property development RMB'000	Property investment and management RMB'000	Micro-finance RMB'000	Corporate RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	**6,184,335**	**507,260**	**387,541**	**-**	**7,079,136**
Segment results:	**4,261,913**	**631,112**	**149,296**	**(44,906)**	**4,997,415**
Reconciliation					
Bank interest income					**40,055**
Finance costs					**(249,776)**
Profit before tax					**4,787,694**
Segment assets:	**34,958,839**	**13,183,193**	**2,085,938**	**36,463**	**50,264,433**
Reconciliation					
Other unallocated assets					**1,723,324**
Total assets					**51,987,757**
Segment liabilities:	**28,793,323**	**951,239**	**22,809**	**23,377**	**29,790,748**
Reconciliation					
Other unallocated liabilities					**8,326,624**
Total liabilities					**38,117,372**
Other segment information:					
Share of profits and losses of joint ventures	**(1,061,723)**	**(285,474)**	**-**	**-**	**(1,347,197)**
Share of profits and losses of associates	**5,805**	**-**	**-**	**-**	**5,805**
Net (gains)/loss on disposal/deemed disposal of subsidiaries	**(23,863)**	**22,824**	**-**	**-**	**(1,039)**
Changes in fair values of investment properties	**-**	**(324,144)**	**-**	**-**	**(324,144)**
Depreciation	**16,944**	**23,394**	**681**	**399**	**41,418**
Amortisation	**-**	**8,228**	**-**	**-**	**8,228**
Impairment/(reversal of impairment) of receivables, net	**(1,120)**	**3,548**	**112,590**	**185**	**115,203**
Impairment of properties under development	**83,286**	**-**	**-**	**-**	**83,286**
Impairment of goodwill arising on acquisition of a subsidiary	**-**	**29,702**	**-**	**-**	**29,702**
Capital expenditure*	**25,048**	**2,547,644**	**657**	**5,560**	**2,578,909**
Investments in joint ventures	**6,338,226**	**1,464,957**	**-**	**-**	**7,803,183**
Investments in associates	**2,620,385**	**-**	**-**	**-**	**2,620,385**

	Property development RMB'000 (Restated)	Property investment and management RMB'000	Micro-finance RMB'000 (Restated)	Corporate RMB'000	Total RMB'000 (Restated)
Year ended 31 December 2017					
Segment revenue:					
Sales to external customers	3,995,866	385,202	329,951	-	4,711,019
Segment results:	2,055,255	806,479	140,983	(41,936)	2,960,781
Reconciliation					
Bank interest income					32,836
Finance costs					(241,843)
Profit before tax					2,751,774
Segment assets:	31,900,208	8,545,577	1,977,031	28,322	42,451,138
Reconciliation					
Other unallocated assets					1,217,614
Total assets					43,668,752
Segment liabilities:	21,722,321	542,789	1,621,527	19,599	23,906,236
Reconciliation					
Other unallocated liabilities					6,714,888
Total liabilities					30,621,124
Other segment information:					
Share of profits and losses of joint ventures	(996,166)	(193,615)	-	-	(1,189,781)
Share of profits and losses of associates	(2,971)	-	-	-	(2,971)
Gain on disposal/deemed disposal of subsidiaries	(53,458)	-	-	-	(53,458)
Changes in fair values of investment properties	-	(545,840)	-	-	(545,840)
Depreciation	8,970	7,243	489	312	17,014
Amortisation	-	8,227	-	-	8,227
Impairment/(reversal of impairment) of receivables, net	3,060	(145)	93,605	-	96,520
Impairment of goodwill arising on acquisition of a subsidiary	-	4,889	-	-	4,889
Release of exchange fluctuation reserves upon deregistration of subsidiaries	(6,966)	-	-	-	(6,966)
Capital expenditure*	10,529	756,910	1,605	2	769,046
Investments in joint ventures	5,045,601	826,892	-	-	5,872,493
Investments in associates	632,736	-	-	-	632,736

* *Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisitions of subsidiaries.*

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains recognised during the year is as follows:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Revenue from contracts with customers		
Sales of properties	**6,184,335**	3,995,866
Property management fee income from:		
- fellow subsidiaries	**1,210**	1,133
- third parties	**148,872**	123,754
Utility income	**16,569**	14,433
Entrusted management fee income from a fellow subsidiary	**24,906**	24,906
Revenue from other sources		
Gross rental income from:		
- fellow subsidiaries	**8,504**	7,025
- third parties	**307,199**	213,951
Interest income on loans receivable*	**387,541**	329,951
	7,079,136	4,711,019
Other income and gains		
Bank interest income	**40,055**	32,836
Interest income on loans to related companies	**73,783**	24,942
Interest income on loans to joint ventures	**74,951**	70,113
Interest income on loans to associates	**-**	18,828
Interest income on loans to third parties	**27,546**	8,775
Interest income on loans to non-controlling shareholders	**1,609**	-
Interest income from available-for-sale financial investments	**-**	55,288
Release of exchange fluctuation reserves upon deregistration of subsidiaries	**-**	6,966
Consulting services income from:		
- fellow subsidiaries	**1,102**	2,344
- joint ventures	**46,869**	9,198
- an associate	**2,594**	-
- third parties	**116,506**	60,029
Fitting and decoration income from:		
- fellow subsidiaries	**49,790**	6,913
- joint ventures	**7,401**	-
- third parties	**57,892**	21,603
Net gains on disposal/deemed disposal of subsidiaries *(Note13)*	**1,039**	53,458
Others	**87,110**	54,699
	588,247	425,992

* Interest income on loans receivable of HK$329,951,000 for the year ended 31 December 2017 was reclassified from other income to revenue as micro-financing business was considered by management to be an operating segment of the Group during the year.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Interest on borrowings		
- bank borrowings	**57,514**	32,330
- loans from the ultimate holding company	**63,260**	203,173
- loans from fellow subsidiaries	**136,186**	93,409
- loans from joint ventures	**2,914**	1,680
- loans from associates	**1,168**	-
- loans from non-controlling shareholders	-	1,418
- other borrowings and other payables	**13,496**	27,066
	274,538	359,076
Other finance costs	**7,630**	2,899
Total finance costs incurred	**282,168**	361,975
Less: Interest capitalised in		
- investment properties	**(2,875)**	(16,931)
- properties under development	**(29,517)**	(103,201)
	249,776	241,843

5. PROFIT BEFORE TAX

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

	2018 RMB'000	2017 RMB'000
Cost of properties sold	**2,633,233**	2,604,232
Depreciation	**42,115**	23,641
Less: Amounts capitalised in property development projects	**(697)**	(6,627)
	41,418	17,014
Amortisation of intangible assets*	**8,228**	8,227
Outgoings (including repairs and maintenance) arising on rental-earning investment properties	**52,990**	36,038
Net (gains)/losses on disposal of items of property, plant and equipment	**(346)**	107
Net gains on disposal/deemed disposal of subsidiaries *(Note 13)*	**(1,039)**	(53,458)
Changes in fair values of investment properties	**(324,144)**	(545,840)
Amortisation of land use rights	**236,255**	154,467
Less: Amounts capitalised in property development projects	**(236,255)**	(154,467)
	-	-
(Reversal of impairment)/impairment of trade receivables, net *(Note 9)*	**(920)**	315
Impairment of financial assets included in prepayments, deposits and other receivables, net	**116,123**	96,205
Impairment of properties under development	**83,286**	-
Minimum lease payments under operating leases	**85,629**	24,906
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**400,024**	341,471
Pension schemes contributions	**36,399**	33,500
Less: Forfeited contributions	**-**	(2)
Net pension schemes contributions	**36,399**	33,498
Total employee benefit expense	**436,423**	374,969
Auditor's remuneration	**3,873**	3,582
Foreign exchange differences, net	**(5,813)**	10,947
Release of exchange fluctuation reserves upon deregistration of subsidiaries *(Note 3)*	**-**	(6,966)
Impairment of goodwill arising on acquisition of a subsidiary** *(Note 11)*	**29,702**	4,889

* The amortisation of intangible assets is included in "Direct operating expenses" in the consolidated statement of profit or loss.

** The impairment of goodwill is included in "Administrative expenses" in the consolidated statement of profit or loss.

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2017: Nil). Taxation on Mainland China profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdiction in which the Group operates.

The provision for land appreciation tax ("LAT") has been estimated according to the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

The amount of tax charge in the consolidated statement of profit or loss represents:

	2018	2017
	RMB'000	RMB'000
Current – Hong Kong	**-**	-
Current – Mainland China		
Charge for the year	**1,027,390**	455,278
Under provision in prior years	**13,774**	488
LAT in Mainland China	**1,301,818**	432,376
Deferred	**(307,427)**	56,384
	2,035,555	944,526

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) **Basic earnings per share**

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 15,870,817,771 (2017: 15,813,616,233) in issue during the year.

(b) **Diluted earnings per share**

The calculation of the diluted earnings per share is based on the profit for the year attributable to owners of the Company. 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 dilutive potential ordinary shares into ordinary shares.

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

	2018	2017
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**2,252,622**	1,643,529

	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	**15,870,817,771**	15,813,616,233
Effect of dilution - weighted average number of ordinary shares:		
Share options	**268,114,334**	162,372,173
	16,138,932,105	15,975,988,406

8. DIVIDENDS

	2018	2017
	RMB'000	RMB'000
Proposed final dividend – RMB0.0275 (2017: RMB0.025) per ordinary share	**436,680**	396,543

At the Board meeting held on 21 March 2019, the Board resolved to recommend the payment of a final dividend of RMB0.0275 per share for the year ended 31 December 2018. The proposed final dividend is not reflected as dividend payable in the consolidated financial statements until it is approved by the shareholders at the forthcoming annual general meeting of the Company.

9. TRADE RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Trade receivables	**18,061**	18,392
Impairment	**-**	(920)
	18,061	17,472

Trade receivables represent rental and property management fee receivables. Rental and property management fee receivables are billed in advance and are payable by tenants/residents upon receipts of billings within an average credit term of one month.

Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large 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. Trade receivables are non-interest-bearing and unsecured.

An aging analysis of the trade receivables as at the reporting date, based on the invoice date and net of loss allowance, is as follows:

	2018 **RMB'000**	2017 RMB'000
Within 1 month	**16,641**	15,867
1 to 3 months	**116**	158
Over 3 months	**1,304**	1,447
	18,061	17,472

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 **RMB'000**	2017 RMB'000
At 1 January	**920**	605
(Reversal of impairment loss)/impairment losses, net *(Note 5)*	**(920)**	315
At 31 December	**-**	920

10. TRADE PAYABLES

An aging analysis of the trade as at the reporting date, based on the invoice date, is as follows:

	2018	2017
	RMB'000	RMB'000
Within 1 month	**837,211**	1,237,830
1 to 3 months	**657,199**	76,524
Over 3 months	**516,544**	223,018
	2,010,954	1,537,372

Trade payables are non-interest-bearing and are normally settled within an average term of one month.

11. BUSINESS COMBINATIONS

The Group acquired one company and its five related companies in Mainland China in the current year for the expansion of property leasing business and a company in Mainland China in the prior year for the expansion of property management business. Details of the acquisitions are as follows:

Two wholly-owned subsidiaries of the Company entered into several sale and purchase agreements in June 2018 with twelve independent third parties to acquire 100% interests in the shares of 深圳市我們投資發展有限公司 (Shenzhen Shi Women Touzi Investment Development Limited*) and its five related companies (collectively “Women Touzi Group”) at an aggregate cash consideration of RMB66,056,000. The acquisition was completed in July 2018. Women Touzi Group is engaged in property leasing in Mainland China.

A wholly-owned subsidiary of the Company entered into a sale and purchase agreement and a supplementary sale and purchase agreement in August 2016 and in December 2016 respectively with two independent third parties to acquire a 90% interest in the shares of 上海芸綺物業管理有限公司 (Shanghai Yunqi Property Management Limited*) ("Yunqi") at an aggregate cash consideration of RMB11,857,000. The acquisition was completed in January 2017. Yunqi is engaged in property management in Mainland China.

* *For identification purpose only*

The fair values of the identifiable assets and liabilities of the acquired companies as at the dates of acquisitions are as follows:

	Fair value recognised on acquisition	
	2018	2017
	Women Touzi Group	Yunqi
	RMB'000	RMB'000
Property, plant and machinery	**35,032**	147
Deferred tax assets	**2,579**	-
Property management contracts	**-**	17,353
Trade receivables	**-**	1,396
Prepayments, deposits and other receivables	**8,824**	3,711
Bank balances	**5,089**	7,869
Trade payables	**(4,379)**	(1,437)
Other payables	**(533)**	(16,959)
Loans from a shareholder	**(10,258)**	-
Deferred tax liabilities	**-**	(4,338)
Total identifiable net assets at fair value	**36,354**	7,742
Non-controlling interests	**-**	(774)
	36,354	6,968
Goodwill on acquisition	**29,702**	4,889
Total consideration	**66,056**	11,857
Satisfied by:		
Cash	**61,056**	1,472
Other payables	**5,000**	10,385
	66,056	11,857

The fair values and gross contractual amounts of deposits and other receivables of Women Touzi Group as at the date of acquisition amounted to RMB6,627,000. No receivables are expected to be uncollectible.

The fair value and gross contractual amount of trade receivables of Yunqi as at the date of acquisition amounted to RMB1,396,000. The fair value and gross contractual amount of other receivables of Yunqi as at the date of acquisition amounted to RMB3,693,000. No receivables were expected to be uncollectible.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	2018	2017
	Women Touzi Group	Yunqi
	RMB'000	RMB'000
Cash consideration	**(61,056)**	(1,472)
Bank balances acquired	**5,089**	7,869
Net (outflow)/inflow of cash and cash equivalents included in cash flow from investing activities	**(55,967)**	6,397

Since the acquisition, Women Touzi Group contributed RMB24,268,000 to the Group's revenue for the year ended 31 December 2018 and loss of RMB2,773,000 to the Group's consolidated profit for the year ended 31 December 2018. Had the combination taken place at the beginning of the year, the revenue and the consolidated profit of the Group for the year would have been RMB7,093,408,000 and RMB2,752,466,000, respectively.

Since the acquisition, Yunqi contributed RMB43,117,000 to the Group's revenue for the year ended 31 December 2017 and loss of RMB7,992,000 to the Group's consolidated profit for the year ended 31 December 2017. Had the combination taken place at the beginning of the prior year, the revenue and the consolidated profit of the Group for the prior year would have been no material change as the completion of the combination was close to the beginning of the prior year.

12. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 8 February 2018, a wholly-owned subsidiary of the Company acquired a 100% equity interest in 上海安洋木業有限公司 (Shanghai Anyang Muye Company Limited*) ("Anyang"), from three independent third parties, at an aggregate cash consideration of RMB37,049,000. Anyang is engaged in property development in Mainland China.

On 3 July 2018, a wholly-owned subsidiary of the Company acquired a 100% equity interest in 上海合樹置業有限公司 (Shanghai Heshu Development Company Limited*) ("Heshu"), from an independent third party, at a cash consideration of RMB147,968,000. Heshu is engaged in property development in Mainland China.

On 6 February 2017, a wholly-owned subsidiary of the Company acquired a 100% equity interest in 上海志韜汽車零部件有限公司 (Shanghai Zhitao Motor Components Company Limited*) ("Zhitao"), from two independent third parties, at an aggregate cash consideration of RMB194,454,000. Zhitao is engaged in property development in Mainland China.

On 28 July 2017, a wholly-owned subsidiary of the Company acquired a 100% equity interest in 裕新（上海）電子有限公司 (Yuxin Shanghai Electronic Company Limited*) ("Yuxin"), from an independent third party, at a cash consideration of RMB81,926,000. Yuxin is engaged in property development in Mainland China.

On 24 August 2017, a wholly-owned subsidiary of the Company acquired a 100% equity interest in 上海利爾新材料有限公司 (Shanghai Lier Modern Material Company Limited*) ("Lier"), from an independent third party, at a cash consideration of RMB86,575,000. Lier is engaged in property development in Mainland China.

The above transactions were accounted for as purchase of assets and liabilities rather than business combinations because the acquired subsidiaries have not carried out any significant business transactions prior to the dates of acquisitions. The net outflow of cash and cash equivalents from the acquisitions has been reflected in the consolidated statement of cash flows as part of the cash flow movement of the individual assets and liabilities acquired.

* *For identification purpose only*

The net assets acquired in the above acquisitions are as follows:

	2018			2017	
	Anyang	**Heshu**	Zhitao	Yuxin	Lier
	RMB'000	**RMB'000**	RMB'000	RMB'000	RMB'000
Investment properties	**251,129**	**-**	189,663	82,846	61,518
Deferred tax assets	**-**	**-**	-	-	40
Properties under development	**-**	**764,271**	-	-	-
Prepayments, deposits and other receivables	**67,136**	**1,012**	-	-	6,663
Bank balances	**7,196**	**8**	6,008	-	18,833
Loans from shareholders	**(72,465)**	**-**	-	-	-
Interest-bearing bank borrowing	**(7,000)**	**-**	-	-	-
Other payables	**(208,947)**	**(617,323)**	(1,217)	(920)	(479)
Net assets	**37,049**	**147,968**	194,454	81,926	86,575
Satisfied by:					
Cash	**22,250**	**147,968**	194,454	81,926	80,483
Other payables	**14,799**	**-**	-	-	6,092
	37,049	**147,968**	194,454	81,926	86,575

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2018			2017	
	Anyang	**Heshu**	Zhitao	Yuxin	Lier
	RMB'000	**RMB'000**	RMB'000	RMB'000	RMB'000
Cash consideration	**(22,250)**	**(147,968)**	(194,454)	(81,926)	(80,483)
Bank balances acquired	**7,196**	**8**	6,008	-	18,833
Net outflow of cash and cash equivalents	**(15,054)**	**(147,960)**	(188,446)	(81,926)	(61,650)

13. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its entire equity interest in a non-wholly owned subsidiary, 鄭州金合亨房地產開發有限公司 (Zhengzhou Jinheheng Real Estate Development Co., Ltd.*) ("Jinheheng"), to an independent third party, for a cash consideration of RMB26,000,000. The disposal was completed in February 2018.

The Group entered into a co-operative agreement with two independent third parties during the year. Pursuant to the agreement, one of the independent third parties agreed to participate in capital increase of a wholly-owned subsidiary of the Company, Apex River Limited ("Apex River"), and the other independent third party agreed to participate in the capital injection in a subsidiary of Apex River, 徐州威新房地產開發有限公司 (Xuzhou Weixin Real Estate Development Co. Ltd*) ("Xuzhou Weixin"). Apex River and Xuzhou Weixin (together "Apex River Group") are engaged in property development in Mainland China. All parties agreed to exercise joint control over Apex River Group after the transaction. The transaction was accounted for as a deemed disposal of subsidiaries and the Group has lost control over Apex River Group after the completion of registration of the changes with the relevant government authorities in April 2018.

The Group disposed of its entire equity interest in a wholly-owned subsidiary, 上海志韜汽車零部件有限公司 (Shanghai Zhitao Motor Components Company Limited*) ("Zhitao"), to a joint venture of the Group for a cash consideration of RMB213,348,000 during the year. The Group has lost control over Zhitao after the completion of disposal in June 2018. The equity interest in Zhitao acquired by the joint venture of the Group was accounted for as an investment in a joint venture of the Group.

The Group disposed of its 51% equity interest in a non-wholly owned subsidiary, 西安朔坤房地產開發有限公司 (Xi'an Shuokun Real Estate Development Co., Ltd.*) ("Shuokun"), to an independent third party for a cash consideration of RMB538,280,000 during the year. The Group has lost control over Shuokun after the completion of disposal in June 2018. The remaining equity interest in Shuokun was accounted for as an investment in an associate.

The Group entered into a co-operative agreement with four independent third parties during the year. Pursuant to the agreement, Two of the independent third parties agreed to participate in the capital increase of a wholly-owned subsidiary of the Group 南京吉慶豐企業管理諮詢有限公司 (Nanjing Jiqingfeng Corporation Management Consultation Limited) ("Jiqingfeng"). The Group holds 2% equity interest in Jiqingfeng and has lost control over Jiqingfeng after the completion of the capital increase of Jiqingfeng. One of the independent third parties agreed to participate in the capital increase in another wholly-owned subsidiary of the Company, Fainmark Limited ("Fainmark"). The Group holds 51% equity interest in Fainmark and the two parties agreed to exercise joint control over Fainmark after the completion of the capital increase of Fainmark. The another independent third party agreed to acquire 25% equity interest in 徐州威潤房地產開發有限公司 (Xuzhou Weirun Real Estate Development Co. Ltd*) ("Xuzhou Weirun") from Fainmark where Fainmark and Jiqingfeng hold 75% and 25% equity interest in Xuzhou Weirun respectively. Fainmark, Jiqingfeng and Xuzhou Weirun (together "Fainmark Group") are engaged in property development in Mainland China. The transaction was completed in October and was accounted for as a deemed disposal of subsidiaries. The equity interests in Fainmark and Jiqingfeng were accounted for as investments in joint ventures.

* *For identification purpose only*

Details of the net assets disposed of are as follows:

	2018				
	Jinheheng RMB'000	Apex River Group RMB'000	Zhitao RMB'000	Shuokun RMB'000	Fainmark Group RMB'000
Property, plant and equipment	-	31	27	82	27
Investment property	-	-	369,229	-	-
Deferred tax assets	7	-	-	2,931	342
Properties under development	-	245,296	-	1,170,389	1,121,921
Prepayments, deposits and other receivables	150,000	10,922	18,919	6,244	2,358
Bank balances	374	1,043	9,766	1,023	34,328
Trade and bills payables	-	-	(6)	(12,936)	-
Advanced receipts, accruals and other payables	(80,280)	(263)	(1,263)	(1,262)	(2,245)
Loans from the ultimate holding company	-	-	-	(151,052)	-
Due to immediate holding companies	-	(258,102)	(116,267)	-	(1,211,567)
Due to a fellow subsidiary	-	-	-	-	(4)
Due to a non-controlling shareholder	(25,183)	-	-	-	-
Deferred tax liabilities	-	-	(21,233)	-	-
Net assets	44,918	(1,073)	259,172	1,015,419	(54,840)
Non-controlling interests	(21,560)	-	-	(18,144)	-
	23,358	(1,073)	259,172	997,275	(54,840)
Release of exchange reserve	-	-	-	-	59,590
	23,358	(1,073)	259,172	997,275	4,750
Fair value of investments retained upon disposal/deemed disposal to investments in joint ventures/an associate	-	-	-	(479,412)	(4,838)
Stamp duties	-	-	-	269	-
Unrealised loss on disposal	-	-	(22,912)	-	-
Gain/(loss) on disposal/deemed disposal of subsidiaries	2,642	1,073	(22,912)	20,148	88
Total consideration	26,000	-	213,348	538,280	-
Satisified by:					
Cash	26,000	-	98,348	538,280	-
Other receivables	-	-	115,000	-	-
	26,000	-	213,348	538,280	-

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries is as follows:

	2018				
	Jinheheng RMB'000	Apex River Group RMB'000	Zhitao RMB'000	Shuokun RMB'000	Fainmark Group RMB'000
Cash consideration	26,000	-	98,348	538,280	-
Bank balances disposed of	(374)	(1,043)	(9,766)	(1,023)	(34,328)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal/deemed disposal of subsidiaries	25,626	(1,043)	88,582	537,257	(34,328)

In prior year, the Group entered into a co-operative agreement with two independent third parties, pursuant to which all parties agreed to participate in capital injection in a subsidiary of the Company, 上海鑫威房地產開發有限公司 (Shanghai Xinwei Real Estate Development Co. Ltd.*) ("Xinwei"). The Group held 60% equity interest in Xinwei and had lost control over Xinwei after the completion of the capital injection in prior year. The transaction was accounted for as a deemed disposal of a subsidiary and the 60% equity interest of Xinwei was accounted for as an investment in an associate.

The Group disposed of its entire equity interest in a wholly-owned subsidiary 深圳格林雲彩教育科技有限公司 (Shenzhen Gelin Yuncai Education and Technology Company Limited*) ("Yuncai"), to a joint venture of the Group and an independent third party, for an aggregate consideration of RMB2,000,000 in prior year. After the disposal, the joint venture and the independent third party hold 90% and 10% equity interests of Yuncai respectively. The 90% equity interest in Yuncai acquired by the joint venture of the Group was accounted for as an investment in a joint venture after the disposal of the equity interest in Yuncai in August 2017.

The Group entered into a co-operative agreement with an independent third party in prior year, pursuant to which the independent third party agreed to participate in capital increase in a subsidiary of the Company, 深圳美味杰爾思英語教育科技有限公司 (Shenzhen Meiwei Jieersi English Education and Technology Company Limited*) ("Jieersi"). Both parties agreed to exercise joint control over Jieersi. The transaction was accounted for as a deemed disposal of a subsidiary and the Group has lost control over Jieersi after the completion of the capital injection of Jieersi in August 2017.

Due to the plan to change from property sale to property investment of the development direction of a PRC property held by a wholly-owned subsidiary of a subsidiary of the Company, 上海信能度爾信息科技有限公司 (Shanghai Xinneng Duer Information Technology Company Limited*) (“Xinneng”), the Group entered into a co-operative agreement with a non-controlling shareholder of Xinneng during the year. Pursuant to the agreement, the Group and the non-controlling shareholder agreed to exercise joint control over Xinneng. It was accounted for as a deemed disposal of subsidiaries and the Group has lost control over Xinneng and its subsidiary (together "Xinneng Group") after the completion of registration of the change with the municipal government in October 2017.

* *For identification purpose only*

Details of the net assets disposed of are as follows:

	2017			
	Xinwei RMB'000	Yuncai RMB'000	Jieersi RMB'000	Xinneng Group RMB'000
Property, plant and equipment	-	-	2,954	294
Deferred tax assets	1,090	101	1,755	4,851
Properties under development	1,784,511	-	-	255,646
Due from a shareholder	10,000	-	-	-
Prepayments, deposits and other receivables	22,980	3,171	1,820	7,650
Prepaid tax	20,292	-	-	-
Bank balances	90,972	1,236	833	18,600
Trade payables	(775)	-	(309)	(358)
Advanced receipts, accruals and other payables	(1,924,722)	(2,810)	(5,003)	(4,709)
Loan from an intermediate holding company	-	-	-	(101,900)
Due to intermediate holding companies	-	-	(833)	(2,305)
Net assets	4,348	1,698	1,217	177,769
Non-controlling interests	-	-	-	(26,665)
	4,348	1,698	1,217	151,104
Fair value of investments retained upon disposal/deemed disposal to investments in an associate/joint ventures	(56,144)	-	(2,796)	(171,062)
Unrealised gain on disposal	-	177	-	-
Gain on disposal/deemed disposal of subsidiaries	31,796	125	1,579	19,958
(Capital contribution to an associate)/total consideration	(20,000)	2,000	-	-
Satisified by:				
Cash	(20,000)	2,000	-	-

An analysis of the net (outflow)/inflow of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries is as follows:

	2017			
	Xinwei RMB'000	Yuncai RMB'000	Jieersi RMB'000	Xinneng Group RMB'000
(Capital contribution to an associate)/cash consideration	(20,000)	2,000	-	-
Bank balances disposed of	(90,972)	(1,236)	(833)	(18,600)
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal/deemed disposal of subsidiaries	(110,972)	764	(833)	(18,600)

FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 December 2018 were consistent with those used in the last financial year ended 31 December 2017, except that the Group has applied, for the first time, the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which included all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute Certified Public Accountants which are effective for the Group's financial year beginning on or after 1 January 2018.

HKFRS 15 "Revenue from Contracts with Customers" is effective for the financial years beginning or after 1 January 2018. The Group elected to apply the modified transitional provisions whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 31 December 2017 are adjusted at the opening balance of equity as at 1 January 2018 and prior year comparatives are not restated.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The revenue of the Group for the year ended 31 December 2018 increased to RMB7,079.1 million from RMB4,711.0 million for the year ended 31 December 2017. After excluding the impact of reduction in revenue of RMB5,081.5 million due to the adoption of HKFRS 15 in the year, the revenue for the year was RMB12,160.6 million, increased by RMB7,449.6 million. The increase was primarily due to the significant increase in revenue recognised from sales of properties.

Other income and gains increased to RMB588.2 million for the year ended 31 December 2018 from RMB426.0 million for the year ended 31 December 2017. The increase was mainly due to increased consulting services income of RMB95.5 million and higher income of RMB86.6 million from fitting out works..

The fair value gains of investment properties of RMB324.1 million was reported for the year ended in 31 December 2018, against RMB545.8 million for the year ended 31 December 2017.

The Group's direct operating expenses for the year ended 31 December 2018 increased to RMB1,233.1 million from RMB948.1 million for the year ended 31 December 2017. Due to a number of property development subsidiaries were set up/acquired and the expansion of property investment and management business scale in PRC during the current year, higher operating expenses was incurred.

The Group's administrative expenses for the year ended 31 December 2018 increased to RMB92.2 million from RMB82.4 million for the year ended 31 December 2017.

The finance costs went up to RMB249.8 million for the current year from 241.8 million for the year ended 31 December 2017, increased by RMB8.0 million. The increase was mainly due to higher interest rate in the lending market during the year.

Share of results of joint ventures and associates of the Group reported an aggregate profit of RMB1,341.4 million for the year ended 31 December 2018, against RMB1,192.8 million for the last year. After excluding the effects of adopting HKFRS 15 of RMB39.5 million, there was an increase of RMB109.1 million. The increase was mainly due to increase in revenue recognition from sales of properties of joint ventures in Hangzhou, Shenzhen and Suzhou, the PRC.

Overall, the Group's profit attributable to owners of the Company increased from RMB1,643.5 million for the year ended 31 December 2017 to RMB2,252.6 million for the year ended 31 December 2018. The increase was mainly due to increased sales recognition and higher gross margin.

The Group recorded basic earnings per share of RMB0.1419 for the year ended 31 December 2018, against basic earnings per share of RMB0.1039 for the year ended 31 December 2017, representing an increase of 37%. The diluted earnings per share for the current year and the prior year were RMB0.1396 and RMB0.1029 respectively.

BUSINESS SEGMENTS

Property development

For the year ended 31 December 2018, the revenue of property development segment substantially increased to RMB6,184.3 million, representing 87% of the total revenue, compared with RMB3,995.9 million, representing 85% of the total revenue for the year ended 31 December 2017. After excluding the impact of reduction in revenue of RMB5,081.5 million due to the adoption of HKFRS 15, the segment revenue for the current year was RMB11,265.8 million, increased by RMB7,269.9 million. Revenue for the current year was mainly come from the sales of properties of Shanghai Shanshui Four Seasons, Ningbo Jinfeng, Xi'an Yi Hua Nian, Jiangsu Huai'an Project and Shenyang Yijing. The profit in the property development segment during the current year increased to RMB4,261.9 million or RMB6,728.6 million (after excluding the effect of adopting HKFRS 15), against RMB2,055.3 million for the previous year. The increase in the segment results was mainly due to higher profit margin of property sales and increased sales revenue recognition in the current year.

Property investment and management

The revenue earned by the property investment and management segment for the year ended 31 December 2018 increased from RMB385.2 million, representing 8% of the total revenue for the year ended 31 December 2017, to RMB507.3 million representing 7% of the total revenue. The increase in revenue was mainly attributable to Hangzhou shopping mall which commenced operation in end of last year and the newly acquired property leasing company. During the year under review, the property investment and management segment recorded a profit of RMB631.1 million, including fair value gains of investment properties of RMB324.1 million, and share of profits from joint ventures of RMB285.5 million, compared with the segment profit of RMB806.5 million for the corresponding period, including fair value gains of investment properties of RMB545.8 million and share of profits from joint ventures of RMB193.6 million.

Microfinance

During the current year, the revenue earned by the microfinance segment increased from RMB330.0 million, representing 7% of the total revenue for the year ended 31 December 2017, to RMB387.5 million, representing 6% of the total revenue for the year ended 31 December 2018. The Group continued to expand the micro-financing business in the year resulting in more interest income earned. The microfinance segment recorded a profit of RMB149.3 million during the current year, compared with the segment profit of RMB141.0 million for the last year.

SHAREHOLDERS' FUNDS

The Group's total shareholders' funds increased from RMB10,914.8 million as at 31 December 2017 to RMB11,835.2 million as at 31 December 2018. The increase was contributed by profit attributable to owners of the Company for the current year of RMB2,252.6 million which was partially offset by the final dividend of RMB396.8 million declared for the year ended 31 December 2017, and the effect of the adopting of HKFRS 15 RMB547.6 million.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group's deposits, bank and cash balances decreased by 40% to RMB3,237.9 million as at 31 December 2018 from RMB5,395.8 million as at 31 December 2017. The decrease was mainly due to cash applied to land acquisitions, development costs of PRC property projects, payments of final dividend, investments/advances to joint ventures and associates, advances to related companies and repayments of loans from group companies, netting off against the proceeds from property sales and new bank loans.

Borrowings

As at 31 December 2018, total bank and other borrowings of the Group was RMB2,060.5 million with interest rates ranging from 3.0% to 5.2% per annum. The Group arranged one short-term bank loan facility and one long-term bank loan facility totally amounting to RMB773.2 million during the current year for general working capital purpose. Meanwhile, the Group fully repaid a 1-year term loan facility, approximately RMB342.5 million.

The net debt (measured by total borrowings minus cash and bank deposits (including restricted cash)) decreased by RM1,032.8 million to RMB1,960.5 million as at 31 December 2018 from RMB2,993.3 million as at 31 December 2017. The decrease in net debt was mainly due to proceeds received from sales of properties applied to repayments of loans from group companies during the year. The Group's net debt ratio (defined as net debt over total equity, including non-controlling interests) decreased to 14% as at 31 December 2018, from 23% as at 31 December 2017.

The maturity profiles of the Group's outstanding borrowings as at 31 December 2018 and 31 December 2017 are summarised below:

	As at	
	31 December 2018	31 December 2017
	RMB'000	RMB'000
Short-term and long-term bank and other borrowings:		
Within the first year or on demand	**1,310,182**	1,087,557
In the second year	**435,291**	163,434
In the third to fifth years, inclusive	**119,407**	115,632
Over five years	**195,632**	190,133
	2,060,512	1,556,756
Loans from related parties:		
Within the first year or on demand	**1,396,316**	5,394,113
In second year	**2,604,478**	2,593,722
	4,000,794	7,987,835
Total borrowings	**6,061,306**	9,544,591

FINANCIAL MANAGEMENT

Foreign currency risk

As at 31 December 2018, borrowings were denominated in United States dollars ("US$"), RMB and HK$. The Group mainly operates in the Mainland China and most of the transactions, assets and liabilities are denominated in RMB, thus the Group is exposed to foreign currency risk. Moderate fluctuation of RMB against HK$ and US$ was expected, the Group considered the foreign currency risk exposure is acceptable. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

The currency denominations of the Group's outstanding borrowings as at 31 December 2018 and 31 December 2017 are summarised below:

	As at	
	31 December 2018 RMB'000	31 December 2017 RMB'000
HK$	**4,172,335**	3,352,612
RMB	**1,263,856**	5,394,113
US$	**625,115**	797,866
Total	**6,061,306**	9,544,591

Interest rate risk

As at 31 December 2018, 53% of borrowings of the Group were on a floating rate basis (2017: 72%). However, the interest rate risk exposure was considered acceptable and no hedging was considered necessary. The Group will continue to monitor the suitability and cost efficiency of hedging instrument (including interest rates swaps) and consider a mix of fixed and floating rate borrowings in order to manage interest rate risk.

PLEDGE OF ASSETS

At 31 December 2018, investment properties of the Group with an aggregate carrying value of RMB542,536,000 (2017: an investment property and a property held for sale with carrying values of RMB196,745,000 and RMB303,918,000 respectively) were pledged to secure other borrowings granted to the Group.

CONTINGENT LIABILITIES

(a) As at 31 December 2018, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2018, the Group's outstanding guarantees amounted to RMB1,626,646,000 (31 December 2017: RMB3,148,594,000).

    The Directors consider that the fair value of the guarantees is not significant and in case of defaulting payments, the net realisable value of the related properties will be sufficient to cover the outstanding mortgage principals, the accrued interest and penalty. Therefore, no provision has been made in the financial statements for the year ended 31 December 2018 (2017: Nil) for these guarantees.

(b) At the end of the reporting period, a maximum guarantee of US$70,950,000 (equivalent to RMB486,944,000) (31 December 2017: US$70,950,000 (equivalent to RMB463,601,000)) was borne by the Group to a group of financial institutions for a facility granted to a joint venture of the Group. As at 31 December 2018, the facility of RMB486,944,000 (31 December 2017: RMB463,601,000) guaranteed by the Group to a joint venture was utilised.

REVIEW OF OPERATIONS

Land Bank

Our management believes that a sizable and quality land bank is the key for a property developer to succeed in a competitive property market in the PRC. Our core competitive edge includes good timing for land acquisition at competitive pricing as well as professional projects cashflow management.

As at 31 December 2018, the Group's land bank totalled 13.75 million square meters, under which approximately 23% were located in first tier cities – Beijing, Guangzhou, Shanghai and Shenzhen, and approximately 66% were located in second tier cities such as Wuhan, Changsha, Nanjing, Qingdao, Suzhou, Hangzhou, etc., as well as 11% were located in third tier cities including Huaian, Taicang and Zhuzhou.

Land acquisitions in 2018

During 2018, the Group acquired 24 land projects in the PRC, with total planned GFA of approximately 2,733,000 square meters, under which 1,415,000 square meters were attributable to the Group's equity interests. Total consideration for these land acquisitions amounted to approximately RMB30,696 million, out of which RMB15,723 million were payable by the Group according to its equity interests in relevant projects. The average land acquisition cost in 2018 was approximately RMB11,200 per square meter.

Segment Information

Properties sales and development

Though the Group experienced macroeconomic slowdown and continual tightening measures for property market, it still managed to achieve aggregated contracted sales of RMB49.03 billion in 2018, representing an increase of 8% from the previous year. Its aggregated contracted sales area totalled 2,263,000 square meters in 2018, representing a drop of approximately 9% as compared to 2017. Its average selling price was approximately RMB21,700 per square meter in 2018, representing an increase of 19% as compared to 2017.

Property leasing

As at 31 December 2018, our Vision Shenzhen Business Park Phases 1 and 2, a business park with GFA of 127,000 square meters, was nearly 100% occupied. Its major tenants include Intel, Amazon and DJI. Also, our Beijing Sohu.com Internet Plaza and the Bridge 8 project in Shanghai were also 100% occupied. In addition, our newly opened Hangzhou shopping mall was also nearly 100% occupied.

During the year, benefiting from the increase in the rental rate as well as more new commercial projects were opened, the Group recorded total rental/management fees revenue of approximately RMB507 million in 2018, representing a remarkable increase of 32% as compared to 2017.

Currently, the commercial projects under development includes Xuzhou, Nanjing, Jinan, Beijing and Huai'an commercial complex projects, several Shanghai commercial projects and Vision Shenzhen Business Park Phase 3 in Nanshan District, Shenzhen. Upon completion of these projects in the pipeline, our commercial properties portfolio is expected to generate an additional RMB1.5 billion rental income to the Group.

OUTLOOK

Looking forward to 2019, the Group would remain focus in expanding scale in terms of contracted sales and landbank accumulation in the first-tier and certain second-tier cities with fast economic growth and large population inflow. The Group would also seek potential equity merger and acquisition and cooperation opportunities at the same time. While for commercial properties, the Group would aggressively expand our business in the development of high-end business parks and commercial projects in core area of tier one/two cities in the PRC.

CORPORATE GOVERNANCE

The Company has taken steps to adopt the principles and comply with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board has reviewed periodically the compliance of the CG Code and is of the view that throughout the year ended 31 December 2018, the Company has complied with the applicable code provisions of the CG Code, except for the following deviations:

1. Under CG Code A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of shareholders. Due to other pre-arranged business commitments which must be attended by certain directors of the Company, Mr. Loh Lian Huat, Ms. Zhang Feiyun and Mr. Hu Chunyuan were not able to attend the annual general meeting of the Company on 16 May 2018.

2. Under CG Code E.1.2, the chairman of the board should attend the annual general meeting of the company. Due to other pre-arranged business commitments which must be attended by Mr. Huang Juncan, the chairman of the board, he was not able to attend the annual general meeting of the Company on 16 May 2018.

3. Under CG Code A.1.1, board meeting should be held at least four times a year at approximately quarterly intervals. During the year, only two regular board meetings were held to review and approve the annual and interim results of the Company. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary. Management supplied adequate and timely information to the board and the directors can make further enquiries to the senior management from time to time to ensure that they are provided with sufficient information to fulfill their directors' duties.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time, (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiries made by the Company, all Directors had complied with the required standards set out in the Model Code throughout the year. The Model Code also applies to other specified senior management of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 2,900 (2017: 2,400) employees. Salaries of employees are maintained at competitive levels while bonuses may be granted on a discretionary basis with reference to the performance of the Group as well as the individual's performance. Other employee benefits include mandatory provident fund, insurance and medical cover, subsidised educational and training programmes as well as a share option scheme. The emoluments of the Directors are determined with reference to the Directors' duties and responsibilities as well as the results of the Group.

SHARE OPTION SCHEMES

A share option scheme was adopted by the Company on 20 May 2003 (the "Share Option Scheme 2003") which expired on 20 May 2013 and a new share option scheme was adopted by the Company on 15 May 2013 (the "Share Option Scheme 2013") for the purpose of continuing to give incentive to, rewarding, remunerating, compensating and/or providing benefits to the Qualifying Grantees (as defined in the Share Option Scheme 2013) of the Company. Any share options which were granted under the Share Option Scheme 2003 prior to its expiry shall continue to be valid and exercisable in accordance with the terms set out therein.

During the year, the subscription rights attaching to 3,490,000 and 9,500,000 share options were exercised at an exercise price of HK$0.55 and HK$0.44 per share respectively. They involved the issuance of a total of 12,990,000 new shares of the Company at a nominal value of HK$0.1 each for a total cash consideration, before expenses, of HK$6,099,500. The proceeds from these exercises of share options would be applied for general working capital of the Group.

As at the date of this announcement, the total number of shares which may be issued upon exercise of all share options granted and yet to be exercised under the Share Option Scheme 2003 and the Share Option Scheme 2013 amounted to 131,240,000 and 810,096,000 respectively.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company and Ernst & Young, the Company's auditor, the accounting principles and practices adopted by the Group and has discussed auditing, risk management and internal control as well as financial reporting matters, including the review of the annual results and report of the Company for the year ended 31 December 2018.

SCOPE OF ERNST & YOUNG

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

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.0275 per share (2017: RMB0.025 per share) for the year ended 31 December 2018, subject to shareholders' approval at the forthcoming annual general meeting of the Company.

The proposed final dividend, if approved, will be paid on or about 21 June 2019 to shareholders whose names appear on the register of members of the Company on 6 June 2019.

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars ("HK$"). The final dividend payable in HK$ will be converted from RMB at the average middle rate of RMB to HK$ as announced by the People's Bank of China for the period from 15 May 2019 to 21 May 2019.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "AGM") is to be held on Tuesday, 21 May 2019 and the notice of AGM is expected to be published and despatched to the Shareholders on or about Friday, 12 April 2019.

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Tuesday, 21 May 2019, the register of members of the Company will be closed from Thursday, 16 May 2019 to Tuesday, 21 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 15 May 2019.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2018 (subject to approval by the shareholders of the Company at the AGM), the register of members of the Company will be closed from Wednesday, 5 June 2019 to Thursday, 6 June 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 4 June 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.gemdalepi.com). The 2018 annual report will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Gemdale Properties and Investment Corporation Limited
Huang Juncan
Chairman and Executive Director

Hong Kong, 21 March 2019

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ling Ke, Mr. Huang Juncan, Mr. Xu Jiajun and Mr. Wei Chuanjun; two non-executive Directors, namely Mr. Loh Lian Huat and Ms. Zhang Feiyun and three independent non-executive Directors, namely Mr. Hui Chiu Chung, Mr. Chiang Sheung Yee, Anthony and Mr. Hu Chunyuan.