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## **Jiayuan International Group Limited**

**佳源國際控股有限公司**

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

**(Stock Code: 2768)**

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

#### **RESULTS HIGHLIGHTS**

- The Group recorded unaudited contracted sales of RMB20,180.4 million in 2018 with total sales area of approximately 1,787,209 sq.m., representing an increase of approximately 95% and 52% respectively when compared to 2017.
- The Group's recognised revenue for the year ended 31 December 2018 was RMB10,458.8 million representing an increase of approximately RMB2,852.3 million or 37.5% as compared to 2017. Gross profit increased by approximately 28.4% to approximately RMB3,306.3 million and gross profit margin was 31.6% in 2018 as compared to 33.8% in 2017.
- Net profit of the Group for the year amounted to approximately RMB1,862.9 million in 2018, representing an increase of 38.6% as compared to 2017.
- Core net profit for the year <sup>(Note 1)</sup> was RMB1,463.2 million, representing an increase of 32.5% as compared to 2017.
- Basic earnings per share were RMB72.21 cents in 2018, representing an increase of 12.7% as compared to 2017.
- As at 31 December 2018, the Group had land reserves of 9.2 million sq.m..

*Note 1: Core net profit for the year excludes changes in fair value of investment properties, change in fair value upon transfer from inventories of properties to investment properties and their related deferred tax, foreign exchange differences and impairment allowance.*

- On 8 March 2018, the Group and 貴州恒豐偉業房地產開發有限公司 (Guizhou Hengfeng Weiye Property Development Co., Ltd\*) (“Guizhou Hengfeng”) entered into the cooperation agreement, pursuant to which the parties agreed to form a joint venture company (the “Guiyang JV”) on 61:39 basis for the purpose of investing into the shanty town redevelopment project (the “Guiyang Project”) in respect of a parcel of land located at Nanming District, Guiyang City, Guizhou Province in the PRC. The contribution to the registered capital and the project capital of Guiyang JV by the Group shall be in an aggregate amount of RMB3,739,300,000. Currently, Guiyang JV has been established which is owned as to 61% and 39% by the Group and Guizhou Hengfeng respectively and it is accounted for as a non-wholly owned subsidiary of the Company.
- On 24 May 2018, the Group and Mr. Tang Shing Bor entered into the sale and purchase agreement, whereby the Group agreed to acquire 70.1% of the entire issued share capital of a target company, which indirectly holds (a) properties located at Nos. 1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong; (b) property located in Nos. 26–38 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong; and (c) property located in No. 2 Tsing Min Path, Tuen Mun, New Territories, Hong Kong, for a consideration of HK\$2,620,256,684 subject to adjustment to the consideration.
- On 5 June 2018, the Group entered into the sale and purchase agreement with Mr. Shum Tin Ching (“Mr. Shum”), the chairman, the non-executive director and the ultimate controlling shareholder of the Company, pursuant to which the Group agreed to acquire the entire issued share capital of Huyuan Holdings Limited, indirectly holding 90% equity interest in certain properties located in Shanghai, which comprises (i) Huijing Huating (上海 • 滙景華庭), (ii) Fengcheng Mingdu (上海 • 奉成名都) and (iii) Jiayuan Dream Square (佳源夢想廣場), at a consideration of HK\$693,628,828, which was settled (i) as to HK\$277,451,552 by the allotment and issue of the 19,566,400 consideration shares (the “Consideration Shares”) by the Company to Mr. Shum or his nominee(s) at the issue price of HK\$14.18 per Consideration Share; and (ii) as to HK\$416,177,276 in cash.
- On 19 September 2018, the Company entered into the sale and purchase agreement with Mr. Shum whereby the Company agreed to acquire Chuangyuan Holdings Limited, representing the entire issued share capital of Chuangyuan Holdings Limited at a consideration of HK\$688,974,000, which was fully settled by the allotment and issue of the 50,180,189 consideration shares (the “Consideration Shares”) by the Company to Mr. Shum or his nominee(s) at the issue price of HK\$13.73 per Consideration Share.
- Recommended a final dividend with scrip option of HK11 cents per share together with the interim dividend of HK10 cents per share will amount to a total dividend of HK21 cents per share (2017: HK19 cents per share).

\* For identification purpose only

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Jiayuan International Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2018 with comparative figures for the year ended 31 December 2017, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2018*

|   | <i>NOTES</i> | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i><br>(Restated) |
|---|--------------|-------------------------------|--------------------------------------|
| Revenue   | 4            | <b>10,458,841</b>             | 7,606,548                            |
| Cost of sales   |              | <b>(7,152,499)</b>            | (5,031,761)                          |
| Gross profit  |              | <b>3,306,342</b>              | 2,574,787                            |
| Other income  | 5            | <b>336,393</b>                | 58,569                               |
| Other gains and losses  | 5            | <b>(257,398)</b>              | 79,016                               |
| Change in fair value of investment properties   |              | <b>354,996</b>                | 143,737                              |
| Change in fair value upon transfer from inventories<br>of properties to investment properties |              | <b>520,917</b>                | 71,631                               |
| Fair value gain on financial assets at fair value<br>through profit or loss                   |              | <b>12,930</b>                 | –                                    |
| Distribution and selling expenses   |              | <b>(297,569)</b>              | (166,548)                            |
| Administrative expenses   |              | <b>(310,252)</b>              | (215,334)                            |
| Other expenses  |              | <b>(2,266)</b>                | (2,778)                              |
| Finance costs   | 6            | <b>(208,208)</b>              | (177,292)                            |
| Share of result of an associate   |              | <b>1,093</b>                  | 598                                  |
| Profit before taxation  |              | <b>3,456,978</b>              | 2,366,386                            |
| Income tax expense  | 7            | <b>(1,594,092)</b>            | (1,022,270)                          |
| Profit for the year   | 8            | <b>1,862,886</b>              | 1,344,116                            |
| Profit for the year attributable to:  |              |                               |                                      |
| Owners of the Company   |              | <b>1,794,430</b>              | 1,332,501                            |
| Non-controlling interests   |              | <b>68,456</b>                 | 11,615                               |
|   |              | <b>1,862,886</b>              | 1,344,116                            |
| Earnings per share  |              |                               |                                      |
| Basic (RMB cents)   | 10           | <b>72.21</b>                  | 64.10                                |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

|   | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i><br>(Restated) |
|---|-------------------------------|--------------------------------------|
| Profit for the year   | <b>1,862,886</b>              | 1,344,116                            |
| Other comprehensive (expense) income                                      |                               |                                      |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> |                               |                                      |
| Exchange differences arising on translation of foreign operations         | <b>(6,087)</b>                | –                                    |
| <i>Item that may be reclassified subsequently to profit or loss:</i>      |                               |                                      |
| Fair value gain on available-for-sale investment                          | –                             | 1,656                                |
| Total comprehensive income for the year                                   | <b>1,856,799</b>              | 1,345,772                            |
| Total comprehensive income for the year attributable to:                  |                               |                                      |
| Owner of the Company  | <b>1,790,795</b>              | 1,334,157                            |
| Non-controlling interests   | <b>66,004</b>                 | 11,615                               |
|   | <b>1,856,799</b>              | 1,345,772                            |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

|  | NOTES | 31/12/2018<br>RMB'000 | 31/12/2017<br>RMB'000<br>(Restated) | 1/1/2017<br>RMB'000<br>(Restated) |
|--|-------|-----------------------|-------------------------------------|-----------------------------------|
| <b>NON-CURRENT ASSETS</b>                                  |       |                       |                                     |                                   |
| Investment properties                                      |       | 5,998,818             | 3,906,142                           | 2,766,868                         |
| Property and equipment                                     |       | 113,539               | 87,012                              | 85,759                            |
| Interest in an associate                                   |       | 31,691                | 15,598                              | –                                 |
| Available-for-sale investment                              |       | –                     | 59,678                              | 53,820                            |
| Financial assets at fair value through profit or loss      |       | 80,871                | –                                   | –                                 |
| Prepayment and deposit paid for<br>a life insurance policy |       | –                     | 9,444                               | 9,513                             |
| Deposits paid for acquisition of subsidiaries              |       | 1,935,423             | 1,524,053                           | 1,400,000                         |
| Deferred tax assets  |       | 446,337               | 360,729                             | 228,378                           |
|  |       | <u>8,606,679</u>      | <u>5,962,656</u>                    | <u>4,544,338</u>                  |
| <b>CURRENT ASSETS</b>                                      |       |                       |                                     |                                   |
| Inventories of properties                                  |       | 26,119,077            | 19,736,566                          | 11,868,933                        |
| Amounts due from customer for contract work                |       | –                     | –                                   | 110,580                           |
| Held-to-maturity investment                                |       | –                     | –                                   | 129,796                           |
| Trade and other receivables, deposits and<br>prepayments   | 11    | 5,602,933             | 2,305,397                           | 1,407,361                         |
| Amounts due from non-controlling interests                 |       | –                     | 1,337,612                           | 842,336                           |
| Amounts due from related parties                           |       | 1,878                 | 1,350                               | 5,788                             |
| Financial assets at fair value through profit or loss      |       | 707,499               | –                                   | –                                 |
| Prepaid income tax   |       | 375,722               | 271,485                             | 76,376                            |
| Restricted/pledged bank deposits                           |       | 1,427,072             | 1,003,094                           | 480,847                           |
| Bank balances and cash                                     |       | 3,906,504             | 5,802,281                           | 1,073,110                         |
|  |       | <u>38,140,685</u>     | <u>30,457,785</u>                   | <u>15,995,127</u>                 |
| <b>CURRENT LIABILITIES</b>                                 |       |                       |                                     |                                   |
| Trade and other payables and accrued expenses              | 12    | 2,871,353             | 2,099,914                           | 1,743,907                         |
| Pre-sale deposits received                                 |       | 10,153,352            | 7,979,129                           | 5,771,515                         |
| Amounts due to non-controlling interests                   |       | 799,388               | 182,565                             | 54,282                            |
| Amounts due to related parties                             |       | 381,756               | 411,875                             | 390,980                           |
| Tax payable  |       | 2,507,291             | 1,569,742                           | 745,012                           |
| Bank and other borrowings                                  |       | 4,801,296             | 3,372,604                           | 4,557,016                         |
| Senior notes   |       | 4,477,446             | 3,681,736                           | –                                 |
|  |       | <u>25,991,882</u>     | <u>19,297,565</u>                   | <u>13,262,712</u>                 |
| <b>NET CURRENT ASSETS</b>                                  |       | <u>12,148,803</u>     | <u>11,160,220</u>                   | <u>2,732,415</u>                  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>               |       | <u>20,755,482</u>     | <u>17,122,876</u>                   | <u>7,276,753</u>                  |

|  | <b>31/12/2018</b><br><i>RMB'000</i> | 31/12/2017<br><i>RMB'000</i><br>(Restated) | 1/1/2017<br><i>RMB'000</i><br>(Restated) |
|--|-------------------------------------|--|--|
| <b>CAPITAL AND RESERVES</b>                  |                                     |  |  |
| Share capital                                | <b>21,083</b>                       | 20,564                                     | 15,558                                   |
| Reserves                                     | <b>7,658,157</b>                    | 6,927,992                                  | 3,316,306                                |
|  | <hr/>                               | <hr/>                                      | <hr/>                                    |
| Equity attributable to owners of the Company | <b>7,679,240</b>                    | 6,948,556                                  | 3,331,864                                |
| Non-controlling interests                    | <b>1,263,799</b>                    | 44,127                                     | 121,781                                  |
|  | <hr/>                               | <hr/>                                      | <hr/>                                    |
| <b>TOTAL EQUITY</b>                          | <b>8,943,039</b>                    | 6,992,683                                  | 3,453,645                                |
|  | <hr/>                               | <hr/>                                      | <hr/>                                    |
| <b>NON-CURRENT LIABILITIES</b>               |                                     |  |  |
| Bank and other borrowings                    | <b>7,773,825</b>                    | 8,357,305                                  | 2,314,420                                |
| Deferred income                              | <b>647,722</b>                      | 693,230                                    | 436,341                                  |
| Deferred tax liabilities                     | <b>655,833</b>                      | 430,442                                    | 376,697                                  |
| Senior notes                                 | <b>2,735,063</b>                    | 649,216                                    | 695,650                                  |
|  | <hr/>                               | <hr/>                                      | <hr/>                                    |
|  | <b>11,812,443</b>                   | 10,130,193                                 | 3,823,108                                |
|  | <hr/>                               | <hr/>                                      | <hr/>                                    |
|  | <b>20,755,482</b>                   | 17,122,876                                 | 7,276,753                                |
|  | <hr/>                               | <hr/>                                      | <hr/>                                    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 1. GROUP RESTRUCTURING AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated on 5 May 2015 and registered in the Cayman Islands as an exempted company with limited liability. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”). Its immediate and ultimate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the “Ultimate Shareholder”). The Company’s registered office address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands; the principal place of business is located at Room 1403, 9 Queen’s Road Central, Hong Kong. The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

#### **Merger accounting for business combination involving entities under common control**

On 25 July 2018, the Company acquired the entire issued share capital of Huyuan Holdings Limited (“Huyuan”), a company incorporated in BVI, from the Ultimate Shareholder (the “Acquisition”) in consideration of HK\$693,629,000 (equivalent to approximately RMB615,790,000) which was settled (i) as to HK\$277,452,000 (equivalent to approximately RMB245,934,000) by the allotment and issue of 19,566,400 ordinary shares of the Company to the Ultimate Shareholder at HK\$14.18 per share; and (ii) as to HK\$416,177,000 (equivalent to approximately RMB369,856,000) in cash. The principal activities of Huyuan and its subsidiaries (“Huyuan Group”) are property development and investment in Shanghai of the People’s Republic of China (the “PRC”).

The directors of the Company have determined that the application of merger accounting to the acquisition of Huyuan Group, being a business combination involving entities under common control, under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), will provide more relevant and useful information to financial statements users as it better reflects the economic substance of the transaction. The Company and Huyuan acquired are regarded as continuing entities.

Under merger accounting, based on the guidance set out in AG 5, the consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest. The adjustments to eliminate share/registered capital of the combining entities or businesses against the related investment costs have been made to other reserve in the consolidated statement of changes in equity.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior years have been restated to include the operating results of the Huyuan Group as if this acquisition had been completed since the date the respective business came under the common control of the Company. The consolidated statement of financial position as at 1 January 2017 and 31 December 2017 have been restated to adjust the carrying amounts of the assets and liabilities of the Huyuan Group which had been in existence as at 1 January 2017 and 31 December 2017 as if those entities or businesses were combined from the date when they first came under the common control of the Company (see below for the financial impacts).

The effect of restatements described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 by line items is as follows:

|  | Year ended<br>31 December<br>2017<br><i>RMB'000</i><br>(Audited and<br>originally<br>stated) | Business<br>combination<br>of business<br>under common<br>control<br><i>RMB'000</i> | Year ended<br>31 December<br>2017<br><i>RMB'000</i><br>(Restated) |
|--|--|---|---|
| Revenue  | 6,948,775  | 657,773   | 7,606,548   |
| Cost of sales  | <u>(4,550,110)</u>   | <u>(481,651)</u>  | <u>(5,031,761)</u>  |
| Gross profit   | 2,398,665  | 176,122   | 2,574,787   |
| Other income   | 58,569   | –   | 58,569  |
| Other gains and losses   | 79,016   | –   | 79,016  |
| Change in fair value of investment properties                        | 137,237  | 6,500   | 143,737   |
| Change in fair value upon transfer from<br>inventories of properties | 71,631   | –   | 71,631  |
| Distribution and selling expenses                                    | (155,366)  | (11,182)  | (166,548)   |
| Administrative expenses  | (178,308)  | (37,026)  | (215,334)   |
| Other expenses   | (2,778)  | –   | (2,778)   |
| Finance costs  | (150,756)  | (26,536)  | (177,292)   |
| Share of result of an associate                                      | <u>598</u>   | <u>–</u>  | <u>598</u>  |
| Profit before taxation   | 2,258,508  | 107,878   | 2,366,386   |
| Income tax expense   | <u>(968,196)</u>   | <u>(54,074)</u>   | <u>(1,022,270)</u>  |
| Profit for the year  | <u>1,290,312</u>   | <u>53,804</u>   | <u>1,344,116</u>  |
| Profit for the year attributable to:                                 |  |   |   |
| Owners of the Company  | 1,284,077  | 48,424  | 1,332,501   |
| Non-controlling interests  | <u>6,235</u>   | <u>5,380</u>  | <u>11,615</u>   |
| Profit for the year  | <u>1,290,312</u>   | <u>53,804</u>   | <u>1,344,116</u>  |
| Profit for the year  | 1,290,312  | 53,804  | 1,344,116   |
| Other comprehensive income   |  |   |   |
| Item that maybe reclassified subsequently to<br>profit or loss:      |  |   |   |
| Fair value gain on available-for-sale investment                     | <u>1,656</u>   | <u>–</u>  | <u>1,656</u>  |
| Profit for the year  | <u>1,291,968</u>   | <u>53,804</u>   | <u>1,345,772</u>  |
| Total comprehensive income for the year attributable to:             |  |   |   |
| Owners of the Company  | 1,285,733  | 48,424  | 1,334,157   |
| Non-controlling interests  | <u>6,235</u>   | <u>5,380</u>  | <u>11,615</u>   |
|  | <u>1,291,968</u>   | <u>53,804</u>   | <u>1,345,772</u>  |



The effect of restatements on the consolidated statement of financial position as at 1 January 2017 is as follows:

|   | 1 January<br>2017<br><i>RMB'000</i><br>(Audited and<br>originally<br>stated) | Business<br>combination<br>of business<br>under common<br>control<br><i>RMB'000</i> | 1 January<br>2017<br><i>RMB'000</i><br>(Restated) |
|---|--|---|---|
| <b>NON-CURRENT ASSETS</b>                               |  |   |   |
| Investment properties                                   | 2,173,368  | 593,500   | 2,766,868   |
| Property and equipment                                  | 85,507   | 252   | 85,759  |
| Available-for-sale investment                           | 53,820   | –   | 53,820  |
| Prepayment and deposit paid for a life insurance policy | 9,513  | –   | 9,513   |
| Deposits paid for acquisition of subsidiaries           | 1,400,000  | –   | 1,400,000   |
| Deferred tax assets                                     | 216,673  | 11,705  | 228,378   |
|   | <u>3,938,881</u>   | <u>605,457</u>  | <u>4,544,338</u>                                  |
| <b>CURRENT ASSETS</b>                                   |  |   |   |
| Inventories of properties                               | 10,566,652   | 1,302,281   | 11,868,933  |
| Amounts due from customer for contract work             | 110,580  | –   | 110,580   |
| Held-to-maturity investment                             | 129,796  | –   | 129,796   |
| Trade and other receivables, deposits and prepayments   | 1,168,969  | 238,392   | 1,407,361   |
| Amounts due from related parties                        | 3,934  | 1,854   | 5,788   |
| Prepaid income tax                                      | 66,400   | 9,976   | 76,376  |
| Amounts due from non-controlling interests              | –  | 842,336   | 842,336   |
| Restricted/pledged bank deposits                        | 438,795  | 42,052  | 480,847   |
| Bank balances and cash                                  | 977,653  | 95,457  | 1,073,110   |
|   | <u>13,462,779</u>  | <u>2,532,348</u>  | <u>15,995,127</u>                                 |
| <b>CURRENT LIABILITIES</b>                              |  |   |   |
| Trade and other payables and accrued expenses           | 1,052,061  | 691,846   | 1,743,907   |
| Pre-sale deposits received                              | 5,167,027  | 604,488   | 5,771,515   |
| Amounts due to non-controlling interests                | –  | 54,282  | 54,282  |
| Amounts due to related parties                          | 140  | 390,840   | 390,980   |
| Tax payable   | 700,563  | 44,449  | 745,012   |
| Bank and other borrowings                               | 3,385,640  | 1,171,376   | 4,557,016   |
|   | <u>10,305,431</u>  | <u>2,957,281</u>  | <u>13,262,712</u>                                 |
| <b>NET CURRENT ASSETS (LIABILITIES)</b>                 | <u>3,157,348</u>   | <u>(424,933)</u>  | <u>2,732,415</u>                                  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            | <u>7,096,229</u>   | <u>180,524</u>  | <u>7,276,753</u>                                  |

The financial effect of the restatements to the Group's equity on 1 January 2017 is summarised below:

|  | 1 January<br>2017<br><i>RMB'000</i><br>(Audited and<br>originally<br>stated) | Business<br>combination<br>of business<br>under common<br>control<br><i>RMB'000</i> | 1 January<br>2017<br><i>RMB'000</i><br>(Restated) |
|--|--|---|---|
| <b>CAPITAL AND RESERVES</b>                  |  |   |   |
| Share capital                                | 15,558   | –   | 15,558  |
| Reserves                                     | 3,191,752  | 124,554   | 3,316,306   |
| Equity attributable to owners of the Company | 3,207,310  | 124,554   | 3,331,864   |
| Non-controlling interests                    | 107,942  | 13,839  | 121,781   |
| <b>TOTAL EQUITY</b>                          | <b>3,315,252</b>   | <b>138,393</b>  | <b>3,453,645</b>                                  |
| <b>NON-CURRENT LIABILITIES</b>               |  |   |   |
| Bank and other borrowings                    | 2,314,420  | –   | 2,314,420   |
| Deferred income                              | 436,341  | –   | 436,341   |
| Deferred tax liabilities                     | 334,566  | 42,131  | 376,697   |
| Senior notes                                 | 695,650  | –   | 695,650   |
|  | 3,780,977  | 42,131  | 3,823,108   |
|  | 7,096,229  | 180,524   | 7,276,753   |

The financial effect of the restatements to the Group's equity on 1 January 2017 is summarised below:

|                           | 1 January<br>2017<br><i>RMB'000</i><br>(Audited and<br>originally<br>stated) | Business<br>combination<br>of business<br>under common<br>control<br><i>RMB'000</i> | 1 January<br>2017<br><i>RMB'000</i><br>(Restated) |
|---------------------------|--|---|---|
| Share capital             | 15,558   | –   | 15,558  |
| Share premium             | 1,020,394  | –   | 1,020,394   |
| Other reserve             | 196,843  | –   | 196,843   |
| Special reserve           | –  | 22,500  | 22,500  |
| Statutory surplus reserve | 48,690   | 5,661   | 54,351  |
| Retained earnings         | 1,925,825  | 96,393  | 2,022,218   |
| Total                     | 3,207,310  | 124,554   | 3,331,864   |
| Non-controlling interests | 107,942  | 13,839  | 121,781   |
| Total equity              | 3,315,252  | 138,393   | 3,453,645   |

The effect of restatements on the consolidated statement of financial position as at 31 December 2017 is as follows:

|   | 31 December<br>2017<br><i>RMB'000</i><br>(Audited and<br>originally<br>stated) | Business<br>combination<br>of business<br>under common<br>control<br><i>RMB'000</i> | 31 December<br>2017<br><i>RMB'000</i><br>(Restated) |
|---|--|---|---|
| <b>NON-CURRENT ASSETS</b>                               |  |   |   |
| Investment properties                                   | 3,306,142  | 600,000   | 3,906,142   |
| Property and equipment                                  | 85,268   | 1,744   | 87,012  |
| Interest in an associate                                | 15,598   | –   | 15,598  |
| Available-for-sale investment                           | 59,678   | –   | 59,678  |
| Prepayment and deposit paid for a life insurance policy | 9,444  | –   | 9,444   |
| Deposits paid for acquisition of subsidiaries           | 1,524,053  | –   | 1,524,053   |
| Deferred tax assets                                     | 359,992  | 737   | 360,729   |
|   | <u>5,360,175</u>   | <u>602,481</u>  | <u>5,962,656</u>                                    |
| <b>CURRENT ASSETS</b>                                   |  |   |   |
| Inventories of properties                               |  |   |   |
| – held for sale   | 741,992  | 1,176,614   | 1,918,606   |
| – under development                                     | 17,622,382   | 195,578   | 17,817,960  |
| Trade and other receivables, deposits and prepayments   | 2,117,135  | 188,262   | 2,305,397   |
| Amount due from a non-controlling interest              | –  | 1,337,612   | 1,337,612   |
| Amount due from related parties                         | –  | 1,350   | 1,350   |
| Prepaid income tax                                      | 237,146  | 34,339  | 271,485   |
| Restricted/pledged bank deposits                        | 1,001,427  | 1,667   | 1,003,094   |
| Bank balances and cash                                  | 5,715,274  | 87,007  | 5,802,281   |
|   | <u>27,435,356</u>  | <u>3,022,429</u>  | <u>30,457,785</u>                                   |
| <b>CURRENT LIABILITIES</b>                              |  |   |   |
| Trade and other payables and accrued expenses           | 1,735,640  | 364,274   | 2,099,914   |
| Pre-sale deposits received                              | 6,358,397  | 1,620,732   | 7,979,129   |
| Amount due to a non-controlling interest                | –  | 182,565   | 182,565   |
| Amounts due to related parties                          | 6,576  | 405,299   | 411,875   |
| Tax payable   | 1,559,516  | 10,226  | 1,569,742   |
| Bank and other borrowings                               | 3,233,346  | 139,258   | 3,372,604   |
| Senior notes  | 3,681,736  | –   | 3,681,736   |
|   | <u>16,575,211</u>  | <u>2,722,354</u>  | <u>19,297,565</u>                                   |
| <b>NET CURRENT ASSETS</b>                               | <u>10,860,145</u>  | <u>300,075</u>  | <u>11,160,220</u>                                   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            | <u>16,220,320</u>  | <u>902,556</u>  | <u>17,122,876</u>                                   |

|  | 31 December<br>2017<br><i>RMB'000</i><br>(Audited and<br>originally<br>stated) | Business<br>combination<br>of business<br>under common<br>control<br><i>RMB'000</i> | 31 December<br>2017<br><i>RMB'000</i><br>(Restated) |
|--|--|---|---|
| <b>CAPITAL AND RESERVES</b>                  |  |   |   |
| Share capital                                | 20,564   | –   | 20,564  |
| Reserves                                     | 6,755,015  | 172,977   | 6,927,992   |
| Equity attributable to owners of the Company | 6,775,579  | 172,977   | 6,948,556   |
| Non-controlling interests                    | 24,907   | 19,220  | 44,127  |
| <b>TOTAL EQUITY</b>                          | <b>6,800,486</b>   | <b>192,197</b>  | <b>6,992,683</b>                                    |
| <b>NON-CURRENT LIABILITIES</b>               |  |   |   |
| Bank and other borrowings                    | 7,690,605  | 666,700   | 8,357,305   |
| Deferred income                              | 693,230  | –   | 693,230   |
| Deferred tax liabilities                     | 386,783  | 43,659  | 430,442   |
| Senior notes                                 | 649,216  | –   | 649,216   |
|  | 9,419,834  | 710,359   | 10,130,193  |
|  | <b>16,220,320</b>  | <b>902,556</b>  | <b>17,122,876</b>                                   |

The financial effect of the restatements to the Group's equity on 31 December 2017 is summarised below:

|                                | 31 December<br>2017<br><i>RMB'000</i><br>(Audited and<br>originally<br>stated) | Business<br>combination<br>of business<br>under common<br>control<br><i>RMB'000</i> | 31 December<br>2017<br><i>RMB'000</i><br>(Restated) |
|--------------------------------|--|---|---|
| Share capital                  | 20,564   | –   | 20,564  |
| Share premium                  | 3,216,102  | –   | 3,216,102   |
| Other reserve                  | 278,665  | –   | 278,665   |
| Special reserve                | –  | 22,500  | 22,500  |
| Investment revaluation reserve | 1,656  | –   | 1,656   |
| Statutory surplus reserve      | 212,955  | 6,750   | 219,705   |
| Retained earnings              | 3,045,637  | 143,728   | 3,189,365   |
| Total                          | 6,775,579  | 172,978   | 6,948,557   |
| Non-controlling interests      | 24,907   | 19,219  | 44,126  |
| Total equity                   | <b>6,800,486</b>   | <b>192,197</b>  | <b>6,992,683</b>                                    |

The effect of the restatement on the Group's basic earnings per share for the year ended 31 December 2017 is as follows:

|  | For the year ended<br>31 December 2017<br><i>RMB cents</i> |
|--|--|
| As audited and originally stated                                   | 62.35  |
| Adjustments arising from business combination under common control | 1.75   |
|  | <hr/>  |
| Restated   | <u>64.10</u>   |

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

|                       |   |
|-----------------------|---|
| HKFRS 9               | Financial Instruments   |
| HKFRS 15              | Revenue from Contracts with Customers and the related Amendments        |
| HK(IFRIC) – Int 22    | Foreign Currency Transactions and Advance Consideration                 |
| 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 |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle          |

The Group has early applied the amendments to HKAS 40 Transfers of Investment Property in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017 with a date of initial application on 1 January 2017 with no significant impacts on the operating retained earnings as at 1 January 2017.

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

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

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

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

- Property development for sale
- Property investment (not within the scope of HKFRS 15)

Revenue from leasing of investment properties will continue to be accounted for in accordance with HKAS 17 *Leases*, whereas revenue from other sources will be accounted for under HKFRS 15.

Taking into account the changes in accounting policy arising from initial application of HKFRS 15, the directors of the Company considered that the initial application of HKFRS 15 has no material impact to the consolidated financial statements of the Group.

## 2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and financial guarantee contracts and 3) general ledger accounting.

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

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

### *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

|  | <i>Notes</i> | <b>Available-<br/>for-sale<br/>investment<br/>RMB'000</b> | <b>Prepayment<br/>and deposit<br/>paid for<br/>a life<br/>insurance<br/>policy<br/>RMB'000</b> | <b>Fair value<br/>through<br/>profit or loss<br/>(“Financial<br/>assets at<br/>FVTPL”)<br/>RMB'000</b> | <b>Investment<br/>revaluation<br/>reserve<br/>RMB'000</b> | <b>Retained<br/>earnings<br/>RMB'000</b> |
|--|--------------|---|--|--|---|--|
| <b>Closing balance at<br/>31 December 2017</b>                 |              |   |  |  |   |  |
| – HKAS 39  | (a),(b)      | 59,678  | 9,444  | –  | 1,656   | 3,189,365                                |
| <b>Effect arising from initial<br/>application of HKFRS 9:</b> |              |   |  |  |   |  |
| <b>Reclassification</b>  |              |   |  |  |   |  |
| From available-for-sale  | (a)          | (59,678)  | –  | 59,678   | (1,656)   | 1,656                                    |
| From loans and receivables                                     | (b)          | –   | (9,444)  | 9,444  | –   | –  |
| <b>Opening balance<br/>at 1 January 2018</b>                   |              | <b>–</b>  | <b>–</b>   | <b>69,122</b>  | <b>–</b>  | <b>3,191,021</b>                         |

- (a) Available-for-sale (“AFS”) investment

*From AFS investment to financial asset at FVTPL*

At the date of initial application of HKFRS 9, the Group’s debt instrument with a fair value of RMB59,678,000 was reclassified from available-for-sale investment to financial assets at FVTPL. This is because even though the Group’s business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. The fair value gain of RMB1,656,000 relating to this debt instrument previously carried at fair value was transferred from investment revaluation reserve to retained earnings as at 1 January 2018.

- (b) Loans and receivables

*From amortised cost to FVTPL*

Prepayment and deposit paid for a life insurance policy of RMB9,444,000 previously classified as loans and receivables was reclassified to FVTPL upon the application of HKFRS 9 because its cash flows do not represent solely payments of principal and interest on the principal amount outstanding.

- (c) Impairment under expected credit losses (“ECL”) model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all rental receivables. To measure the ECL, rental receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of other deposits, other receivables, restricted/pledged bank deposits, bank balances and loans receivable are measured on 12-month ECL basis.

The application of the HKFRS 9 has no significant impact on the provision of impairment of financial assets retained earnings at 1 January 2018.

### 3. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group’s operating and reportable segments under HKFRS 8 are therefore as follows:

- (i) Property development – development and sales of office premises, shopping arcade and residential properties
- (ii) Property investment – leasing of office premises, hotel, shopping arcade and car parks
- (iii) Development services – development of resettlement properties and other public facilities

No segment revenue and results are presented for the provision of development services as there is no revenue generated and expenses incurred for this segment during the years ended 31 December 2018 and 2017. The Group will continue to engage in the provision of development services in the future.

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Information regarding the above segments is reported below.

## Segment revenue Segment profit

The following is an analysis of the Group's revenue and results by operating and reportable segments for the years:

|  | Segment revenue          |                                      | Segment profit          |                                      |
|--|--------------------------|--------------------------------------|-------------------------|--------------------------------------|
|  | 2018<br><i>RMB'000</i>   | 2017<br><i>RMB'000</i><br>(Restated) | 2018<br><i>RMB'000</i>  | 2017<br><i>RMB'000</i><br>(Restated) |
| Property development   | <b>10,381,864</b>        | 7,529,336                            | <b>2,580,197</b>        | 2,191,791                            |
| Property investment  | <b>76,977</b>            | 77,212                               | <b>76,977</b>           | 77,212                               |
| Total  | <b><u>10,458,841</u></b> | <u>7,606,548</u>                     | <b><u>2,657,174</u></b> | <u>2,269,003</u>                     |
| Other gains and losses   |                          |                                      | <b>(166,901)</b>        | 79,016                               |
| Interest income  |                          |                                      | <b>315,186</b>          | 54,647                               |
| Central administration costs   |                          |                                      | <b>(30,209)</b>         | (74,954)                             |
| Change in fair value of investment properties  |                          |                                      | <b>354,996</b>          | 143,737                              |
| Change in fair value upon transfer from inventories of properties to investment properties |                          |                                      | <b>520,917</b>          | 71,631                               |
| Fair value gain on financial assets at fair value through profit or loss                   |                          |                                      | <b>12,930</b>           | –                                    |
| Finance costs  |                          |                                      | <b>(208,208)</b>        | (177,292)                            |
| Share of result of an associate  |                          |                                      | <b>1,093</b>            | 598                                  |
| Profit before taxation   |                          |                                      | <b><u>3,456,978</u></b> | <u>2,366,386</u>                     |

Segment profit represents the profit earned by each segment without allocation of central administration costs, other gains and losses, interest income, change in fair value of investment properties, fair value gains on financial assets at FVTPL, change in fair value upon transfer from inventories of properties to investment properties, finance costs and share of result of an associate. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years reported.

## Other segment information

|   | Property development   |                                      |
|---|------------------------|--------------------------------------|
|   | 2018<br><i>RMB'000</i> | 2017<br><i>RMB'000</i><br>(Restated) |
| Amount included in the measure of segment profit or loss: |                        |                                      |
| Depreciation of property and equipment                    | <b>9,546</b>           | 6,170                                |
| Gain on disposals of property and equipment               | <b><u>(115)</u></b>    | <u>(607)</u>                         |



## Geographical information

The following tables set out information about the Group's revenue from external customers by cities in the PRC, based on the location at which the properties are sold, properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

|           | Revenue from<br>external customers |                               |
|-----------|------------------------------------|-------------------------------|
|           | 2018<br>RMB'000                    | 2017<br>RMB'000<br>(Restated) |
| Taizhou   | 1,595,412                          | 2,383,832                     |
| Shanghai  | 1,821,363                          | 657,773                       |
| Suqian    | 970,866                            | 848,526                       |
| Yangzhou  | 3,922,447                          | 3,166                         |
| Nanjing   | 526,379                            | 3,527,979                     |
| Nantong   | 914,731                            | –                             |
| Zhenjiang | 549,560                            | –                             |
| Changzhou | 158,083                            | 185,272                       |
|           | <b>10,458,841</b>                  | <b>7,606,548</b>              |
|           | Non-current assets                 |                               |
|           | 2018<br>RMB'000                    | 2017<br>RMB'000<br>(Restated) |
| Changzhou | 337,790                            | 324,074                       |
| Hong Kong | 598,131                            | 91,490                        |
| Nanjing   | 841,123                            | 673,012                       |
| Taizhou   | 2,890,782                          | 1,302,090                     |
| Suqian    | 232,245                            | 227,443                       |
| Yangzhou  | 1,096,139                          | 786,500                       |
| Nantong   | 114                                | 138                           |
| Zhenjiang | 368                                | 543                           |
| Macau     | 1,304                              | 1,073                         |
| Shanghai  | 651,518                            | 601,744                       |
| Shenzhen  | 1,182,019                          | 1,524,559                     |
| Taicang   | 428                                | 139                           |
| Cambodia  | 246,935                            | –                             |
| Zhuhai    | 500                                | –                             |
| Vietnam   | 75                                 | –                             |
|           | <b>8,079,471</b>                   | <b>5,532,805</b>              |

*Note:* Non-current assets excluded available-for-sale investment, financial assets at FVTPL, prepayment and deposit paid for a life insurance policy and deferred tax assets.

## Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for the years reported.

#### 4. REVENUE

Revenue represents income from sales of properties and property rental income earned during the year, net of discounts allowed, and is analysed as follows:

##### For the year ended 31 December 2018

|                                     | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i><br>(Restated) |
|-------------------------------------|-------------------------------|--------------------------------------|
| Sales of properties ( <i>Note</i> ) | <b>10,381,864</b>             | 7,529,336                            |
| Property rental                     | <b>76,977</b>                 | 77,212                               |
| Total                               | <b>10,458,841</b>             | 7,606,548                            |

*Note:* Disaggregation of revenue from contracts with customers.

|                                      | <b>For the<br/>year ended<br/>31 December<br/>2018<br/><i>RMB'000</i></b> |
|--------------------------------------|---|
| <b>Types of goods</b>                |   |
| Residential apartments               | <b>8,602,106</b>  |
| Retail shops                         | <b>1,779,758</b>  |
|                                      | <b>10,381,864</b>   |
| <b>Geographical market</b>           |   |
| Taixing                              | 1,495,694   |
| Taizhou                              | 80,081  |
| Shanghai                             | 1,771,470   |
| Suqian                               | 965,555   |
| Yangzhou                             | 3,922,650   |
| Nanjing                              | 526,379   |
| Nantong                              | 914,731   |
| Zhenjiang                            | 549,560   |
| Changzhou                            | 155,744   |
| Total                                | <b>10,381,864</b>   |
| <b>Timing of revenue recognition</b> |   |
| At a point in time                   | <b>10,381,864</b>   |

##### *Performance obligations for contracts with customers*

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives certain percentage of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining amount of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

## 5. OTHER INCOME, GAINS AND LOSSES

|  | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i><br>(Restated) |
|--|-------------------------------|--------------------------------------|
| Other income   |                               |                                      |
| Interest income on bank deposits   | <b>60,904</b>                 | 5,840                                |
| Interest income on financial assets at fair value through profit or loss | <b>63,791</b>                 | –                                    |
| Interest income on loans receivable                                      | <b>190,491</b>                | 29,375                               |
| Interest income on available-for-sale investment                         | –                             | 6,065                                |
| Interest income on held-to-maturity investment                           | –                             | 13,367                               |
| Others   | <b>21,207</b>                 | 3,922                                |
|  | <b>336,393</b>                | 58,569                               |
| Other gains and losses   |                               |                                      |
| Gain on disposals of property and equipment                              | <b>115</b>                    | 607                                  |
| Impairment allowance   | <b>(90,497)</b>               | –                                    |
| Foreign exchange (loss) gain, net  | <b>(167,016)</b>              | 78,409                               |
|  | <b>(257,398)</b>              | 79,016                               |

## 6. FINANCE COSTS

|  | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i><br>(Restated) |
|--|-------------------------------|--------------------------------------|
| Interests on bank and other borrowings   | <b>739,330</b>                | 1,012,129                            |
| Interests on senior notes  | <b>777,336</b>                | 158,249                              |
|  | <b>1,516,666</b>              | 1,170,378                            |
| Less: Capitalised in investment properties under construction/properties under development | <b>(1,308,458)</b>            | (993,086)                            |
|  | <b>208,208</b>                | 177,292                              |

Finance costs have been capitalised for investment properties under construction and properties under development at average rate of 6.19% (2017: 5.83%) per annum for the year ended 31 December 2018.

## 7. INCOME TAX EXPENSE

|  | <b>2018</b>           | 2017           |
|--|-----------------------|----------------|
|  | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
|  |                       | (Restated)     |
| Current tax:                             |                       |                |
| Enterprise income tax (“EIT”) in the PRC | <b>805,941</b>        | 602,061        |
| Land appreciation tax (“LAT”)            | <b>648,368</b>        | 498,815        |
|  | <b>1,454,309</b>      | 1,100,876      |
| Deferred tax                             | <b>139,783</b>        | (78,606)       |
|  | <b>1,594,092</b>      | 1,022,270      |

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during both years.

No provision for Hong Kong Profits Tax and Macau Complementary Tax has been recognised in the consolidated financial statements during both years as the Group does not have assessable profit which arises in, or is derived from Hong Kong and Macau respectively.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and amended on 8 January 2013, and the Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

The tax charge for the year can be reconciled to the profit before taxation as follows:

|   | <b>2018</b>           | 2017           |
|---|-----------------------|----------------|
|   | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
|   |                       | (Restated)     |
| Profit before taxation                                | <b>3,456,978</b>      | 2,366,386      |
| PRC EIT at 25%  | <b>864,245</b>        | 591,597        |
| Tax effect of expenses not deductible for tax purpose | <b>321,635</b>        | 62,405         |
| Tax effect of income not taxable for tax purpose      | <b>(60,604)</b>       | (47,265)       |
| Tax effect of tax losses not recognised               | <b>15,411</b>         | 47,339         |
| Utilisation of tax losses previously not recognised   | <b>(32,870)</b>       | (5,917)        |
| LAT   | <b>648,368</b>        | 498,815        |
| Tax effect of LAT                                     | <b>(162,092)</b>      | (124,704)      |
| Tax charge for the year                               | <b>1,594,093</b>      | 1,022,270      |

## 8. PROFIT FOR THE YEAR

|   | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i><br>(Restated) |
|---|-------------------------------|--------------------------------------|
| Profit for the year has been arrived at after charging (crediting): |                               |                                      |
| Cost of properties held for sale recognised as expenses             | <b>7,152,499</b>              | 5,031,761                            |
| Depreciation of property and equipment                              | <b>9,554</b>                  | 6,253                                |
| Less: Capitalised in properties under development                   | <u>(8)</u>                    | <u>(84)</u>                          |
|   | <b><u>9,546</u></b>           | <b><u>6,169</u></b>                  |

## 9. DIVIDENDS

|   | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Dividends recognised as distribution during the year:   |                               |                        |
| Final dividend declared for the year ended 31 December 2017<br>– HK19 cents per share                       | <b>405,036</b>                | –                      |
| Interim dividend declared for the year ended 31 December 2018<br>– HK10 cents (Interim 2017: nil) per share | <u><b>220,250</b></u>         | <u>–</u>               |
|   | <b><u>625,286</u></b>         | <b><u>–</u></b>        |
| Dividend proposed in respect of current year:   |                               |                        |
| Final dividend proposed – HK11 cents<br>(2017: HK19 cents) per ordinary share                               | <b><u>239,327</u></b>         | <b><u>372,943</u></b>  |

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK11 cents per ordinary share, in an aggregate amount of HK\$281,727,000 (approximately RMB247,441,000), taking into account the 2,561,151,991 ordinary shares in issue at the reporting date, have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability in these consolidated financial statements.

During the year ended 31 December 2018, share scrip alternatives were offered in respect of the 2017 final and 2018 interim dividends. These share scrip alternatives were accepted by shareholders, as follows:

|                            | <b>2018</b>           |                |
|----------------------------|-----------------------|----------------|
|                            | <i>HK\$'000</i>       | <i>RMB'000</i> |
| Dividends                  |                       |                |
| Cash                       | <b>147,901</b>        | 129,631        |
| Scrip dividend alternative | <b>565,813</b>        | 495,655        |
|                            | <b><u>713,714</u></b> | <u>625,286</u> |

## 10. EARNINGS PER SHARE

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

|   | <b>2018</b>             | 2017                         |
|---|-------------------------|------------------------------|
|   | <i>RMB'000</i>          | <i>RMB'000</i><br>(Restated) |
| <b>Earnings</b>   |                         |                              |
| Earnings for the purpose of basic earnings per share<br>(profit for the year attributable to owners of the Company) | <b><u>1,794,430</u></b> | <u>1,332,501</u>             |
|   | <i>'000</i>             | <i>'000</i>                  |
| <b>Number of shares</b>   |                         |                              |
| Weighted average number of ordinary shares<br>for the purpose of basic earnings per share                           | <b><u>2,484,971</u></b> | <u>2,078,897</u>             |

No diluted earnings per share for the years ended 31 December 2018 and 2017 was presented as there were no potential ordinary shares in issue in both years.

## 11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|   | <b>31/12/2018</b>       | 31/12/2017              | 1/1/2017                |
|---|-------------------------|-------------------------|-------------------------|
|   | <b>RMB'000</b>          | RMB'000                 | RMB'000                 |
|   |                         | (Restated)              | (Restated)              |
| Rental receivables (Trade receivables) ( <i>Note i</i> )                              | <b>52,268</b>           | 39,903                  | 38,212                  |
| Prepaid construction costs  | <b>802,333</b>          | 508,519                 | 670,630                 |
| Prepaid business and other taxes  | <b>404,550</b>          | 216,816                 | 234,447                 |
| Advances to potential investees for acquisition of land use rights ( <i>Note ii</i> ) | <b>1,344,973</b>        | –                       | –                       |
| Deposits paid for potential purchases of land use rights                              | <b>456,199</b>          | 26,040                  | 1,466                   |
| Projects related deposits ( <i>Note iii</i> )   | <b>790,169</b>          | 289,944                 | 99,156                  |
| Deposits for trust financing arrangements ( <i>Note iv</i> )                          | <b>308,988</b>          | 63,925                  | 4,800                   |
| Other deposits ( <i>Note v</i> )  | <b>273,647</b>          | 257,369                 | 20,402                  |
| Loans receivable ( <i>Note vi</i> )   | <b>662,607</b>          | 733,721                 | –                       |
| Interest receivable   | <b>153,969</b>          | 29,375                  | –                       |
| Other receivables ( <i>Note vii</i> )   | <b>353,230</b>          | 139,785                 | 338,248                 |
|   | <b><u>5,602,933</u></b> | <b><u>2,305,397</u></b> | <b><u>1,407,361</u></b> |

### Notes:

- (i) The amount represents rental receivables for leasing of office premises, hotel, shopping arcade and carparks.
- (ii) The amounts are paid to certain entities while the Group will potentially invests in them (“potential investees”). In the opinion of the directors, such payments are prepayment for property development projects of those potential investees.
- (iii) The amount represents sales proceed paid to local authorities which were restricted for use in property development projects.
- (iv) The amounts are deposited in trust financing companies for raising trust loans for the Group. The deposits will be refunded to the Group upon final repayments of the trust loans or repayable on demand.
- (v) Other deposits as at the reporting dates mainly represent temporary payments for potential property development projects to local government. There is no fixed repayment term for these other deposits and the directors of the Company consider they are repayable upon the payment for construction costs.
- (vi) Loans receivable represent loans to independent third parties which are unsecured, interest bearing at ranging from 12% to 23% (2017: 12% to 23%) per annum and repayable within one year.
- (vii) Other receivables mainly represent temporary payments made to contractors and advances to contractors.

The Group allows an average credit period of 30 days to its trade customers. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the year.

## 12. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES/DEFERRED INCOME

|   | <b>31/12/2018</b><br><i>RMB'000</i> | 31/12/2017<br><i>RMB'000</i><br>(Restated) | 1/1/2017<br><i>RMB'000</i><br>(Restated) |
|---|-------------------------------------|--|--|
| Trade payables  | <b>1,493,663</b>                    | 706,200                                    | 510,469                                  |
| Business and other taxes payable                      | <b>428,751</b>                      | 330,748                                    | 30,455                                   |
| Accrued charges ( <i>Note i</i> )                     | <b>233,981</b>                      | 177,558                                    | 123,947                                  |
| Deferred income ( <i>Note ii</i> )                    | <b>713,783</b>                      | 703,456                                    | 442,629                                  |
| Payables for acquisition of land                      | –                                   | –  | 39,143                                   |
| Deposits related to sales of properties               | <b>181,466</b>                      | 122,636                                    | 434,460                                  |
| Consideration payable for acquisition of subsidiaries | <b>95,000</b>                       | 322,700                                    | 98,052                                   |
| Deposits and other payables ( <i>Note iii</i> )       | <b>372,431</b>                      | 429,846                                    | 414,623                                  |
| Other unsecured interest-free advances                | –                                   | –  | 86,470                                   |
|   | <b>3,519,075</b>                    | 2,793,144                                  | 2,180,248                                |
| Less: Non-current portion of deferred income          | <b>(647,722)</b>                    | (693,230)                                  | (436,341)                                |
| Current portion                                       | <b>2,871,353</b>                    | 2,099,914                                  | 1,743,907                                |

### Notes:

- (i) Accrued charges mainly include construction cost accrued based on construction progress.
- (ii) Deferred income represents deferred income arising from transfer of land use right of underground car parks which no building ownership certificate has been obtained by the Group. The income arising from sales of underground car parks is released to profit or loss as rental income and amortised on a straight line basis over the period of the land use right.
- (iii) Deposits and other payables mainly represent various deposits received from contractors in relation to tendering and execution of construction contracts.

Trade payables comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The average credit period of trade payable is 30 days.

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

|                | <b>31/12/2018</b><br><i>RMB'000</i> | 31/12/2017<br><i>RMB'000</i><br>(Restated) | 1/1/2017<br><i>RMB'000</i><br>(Restated) |
|----------------|-------------------------------------|--|--|
| 0 – 30 days    | <b>633,383</b>                      | 354,747                                    | 227,997                                  |
| 31 – 90 days   | <b>276,271</b>                      | 106,395                                    | 61,062                                   |
| 91 – 180 days  | <b>219,011</b>                      | 42,333                                     | 27,313                                   |
| 181 – 360 days | <b>85,427</b>                       | 44,085                                     | 44,549                                   |
| Over 360 days  | <b>279,571</b>                      | 158,640                                    | 149,548                                  |
|                | <b>1,493,663</b>                    | 706,200                                    | 510,469                                  |



## CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2018, under the regulatory keynote of “property is for living but not for speculation” of the central government, the growth of the national property market maintained a stable trend. Market expectation became more rational. With respect to commodity housing, the growth rate of both sales area and sales amount weakened, whereas the absolute value of both sales area and sales amount still reached record high.

Amid the rapidly changing market environment, the Group was well prepared and demonstrated its proactive responsiveness. Under the city-specific adjustment and control measures, the Group achieved excellent operating results with an increase in both contracted sales volume and selling price: contracted sales and selling price amounted to RMB20.18 billion and RMB11,292 per square meter for the year 2018 respectively, representing a substantial increase of 94.6% and 28.1% respectively year-on-year, by leveraging our precise judgement on the demands of regional markets where we operate, adjustment to our product portfolio to cater sales trend, adherence to our core value of “Quality is an unyielding principle” and reputation and premium arising from our focus on cities where we operate for years. In addition, by adopting a strategy of expansionary development and prudent investment continuously during the year 2018, the Group focused on deploying in cities with strong market potential and robust investment returns within metropolitan circles such as Yangtze River Delta region and the Guangdong-Hong Kong-Macau Greater Bay Area, being centered at first-tier and second-tier cities. The Group acquired 13 premium projects with an additional total GFA of approximately 3.9 million sq.m and ventured into new regions, including Hong Kong, Shanghai, Guangdong, Guizhou, Xinjiang and Cambodia, through tender and bidding, acquisition and merger, joint development and so on, in order to drive its performance growth in the future.

The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area was officially promulgated on 18 February 2019. With comprehensive plans for strategic positioning, space layouts and development goals, the Guangdong-Hong Kong-Macao Greater Bay Area will be a first-class bay area at international level. The Group, having planned for the strategic layout of the Guangdong-Hong Kong-Macao Greater Bay Area since 2016, now has land reserves of approximately 1.4 million sq.m. in the Greater Bay Area. The Group will take the initiative to participate in construction of the Greater Bay Area in line with the national development strategy and embrace opportunities and missions bestowed by this era.

Looking forward to 2019, the Group will face common problems of long-term mechanism of regulatory and control measures, complex financial market environment and contiguous industry competition. Under the strategic goal of “expansion and strengthening”, the Group will adapt to changing situations and control risks with prudent judgment while actively taking opportunities for project merger and acquisition to increase its premium land reserves in a diversified manner and fully enhance its core competitiveness in each segment of the property value chain. The Group will continue to pursue the core value of “Quality is an unyielding principle” with a view to create shareholders’ value.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### I. Market Review

In 2018, the PRC effectively responded to the external environment. Under the background that the supply-side structural reform and the Reform and Opening-Up of the PRC have been stepped up, the economic and trade conflicts between China and the U.S. have been gradually resolved under a positive growth momentum. With the positioning of “property is for living but not for speculation” for the PRC’s real estate market, and directed by the category-specific and city-specific adjustment and control measures of the central government, the control policies in different regions kept intensifying. After a process of partial overheating to overall cooling down of the property market, current market expectation underwent some positive changes, while staged outcomes were achieved in such policy implementation.

Looking back in 2018, the real estate market in the PRC maintained a steady growth. According to the data from the National Bureau of Statistics, from January to December in 2018, the investment in national property development amounted to approximately RMB12,026.4 billion, representing a year-on-year increase of approximately 9.5%. The sold area of commodity properties amounted to approximately 1,716.54 million sq.m., representing an increase of approximately 1.3%. The sales amount of commodity properties amounted to approximately RMB14,997.3 billion, representing an increase of approximately 12.2%.

#### II. Business review

##### *Record High Sales*

Taking an overview of 2018, the Group continued to develop by surmounting difficulties and precisely grasping opportunities for development brought by the PRC’s continuous economic growth, implementing the development model of “focusing on real estate with diversification”, the Group recorded a significant increase in sales. As of 31 December 2018, the contracted sales of the Group amounted to approximately RMB20.18 billion, representing an increase of approximately 94.6% compared to last year. Contracted sales area of the Group amounted to approximately 1,790,000 sq.m., representing a year-on-year increase of approximately 51.8%. The average price of contracted sales amounted to approximately RMB11,292 per sq.m., representing a year-on-year increase of approximately 28.1%.

### *National Layout Highlighting Strategic Values*

The Group fully understood that land reserves are important foundation for development for property developers. In 2018, the Group ventured into certain key cities with high growth potentials and acquired 13 premium projects of gross GFA reaching 3.9 million sq.m. at a low premium in eight regions, including Hong Kong, Shanghai, Taizhou, Changzhou, Jiangmen, Guiyang, Urumqi and Cambodia, through project merger and acquisition, tender and bidding in the public market, joint development and so on. Besides, in terms of regional development strategy, the Group will continue to strictly follow the “13th Five-Year Plan” of the PRC and maintain its focus on four main areas, namely the Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta Economic Zone and key provincial capital cities, as well as cities along the “Belt and Road” initiative, with development of large-scale residential and commercial complex projects, increasingly diversifying businesses and further uplifting land values.

### *Layout of the Guangdong-Hong Kong-Macau Greater Bay Area Taking Shape*

The Outline Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area has been issued by the government, stating the intention to build the Greater Bay Area into an international center of technology and innovation. As one of the regions with the best comprehensive strengths, the best openness and the most vivid economy in the PRC, occupying a land area of 56,000 square kilometers and with an ordinary population of more than 70 million, the Greater Bay Area is considered a major driver for global economic growth in the future. In 2016, the Group took the lead in entering city clusters in the Greater Bay Area and has obtained premium land parcels in Hong Kong, Macau, Shenzhen and other cities of Guangdong Province, so as to derive benefits from the economic boom in the Greater Bay Area. As high-end talents keep moving to the region and with increasingly better infrastructure and supporting facilities for daily living, the Group anticipated that the Greater Bay Area will then become a high-quality living sphere accessible within one hour. There will be immense potential of appreciation for the properties in the region.

### *Embarking upon Property Management Business and Leveraging on Synergy among Segments*

In 2018, the chairman of the Group intended to boost its profitability by injecting property management assets. It is expected to provide strong support to the property sales business of the Group in the future. The property projects managed by Zhejiang JiaYuan Property Management Services Group Co., Ltd.\* (浙江佳源物業服務集團有限公司) are located mainly in provinces including Zhejiang, Jiangsu and Anhui. The managed properties totaled 121 projects, covering residential properties, commercial offices and urban complexes, including 104 residential communities, 14 commercial properties and three other properties, with total contracted GFA under management of more than 30,000,000 square meters. A number of these projects have been awarded “Provincial Excellence” and “Municipal Excellence” accolades as role-model residential (building) projects of property management, as well as “Golden Keys 6S Management Innovation Award” granted by Golden Keys China Alliance (中國金鑰匙聯盟). The Group believes that its businesses will continue to drive growth for the Group’s long-term development, with full synergy among them.

### *Broadening Financing Channels and Boosting Financial Strengths*

The Group strongly believes that solid financial strengths are important pillars supporting its diversified business development. Therefore, the Group strove to speed up cash recovery from property sales and fortified capital management ability during the year 2018, and issued senior notes through various channels to optimize debt structure, including the public issue of 350 million USD-denominated senior notes due 2019 and 400 million USD-denominated senior notes due 2020, thereby further boosting the Group's financial strengths. Meanwhile, the Group was included as a constituent stock of Hang Seng Composite Large and Mid Cap Index and included under the Hong Kong-Shanghai Stock Connect list in September 2018, fully showing the full breadth of recognition of the Group from the capital market.

### *Sound Investor Relations and Uplift of Corporate Transparency*

In 2018, the Group continued to participate in exchanges and road shows held by major institutions, such as the investment summit cum investors' reception day for Hong Kong listed companies 2018 (2018港股上市公司投資峰會暨投資者集體接待日) organised by quanjing.com (全景網), as well as the real estate summit 2018 (2018格隆匯高屋建瓴房地產高峰論壇) and the summit for Hong Kong stock market and overseas investment 2018 (2018決戰港股•海外投資系列峰會) organised by Gelonghui (格隆匯). Through such interactions, the Group shared its performance and development with domestic and foreign investment banks, rating agencies, investors and analysts and successfully established sound bilateral channels of communication.

### *Market Recognition for the Group's Overall Performance*

In 2018, the Group achieved bright business performance, which was highly regarded by the market. The Group was awarded the "Listed Company with Most Brand Value" under the "2018 Golden Lion Award for Hong Kong Stock Listed Companies" by Sina Finance, the "Listed Company Awards of Excellence 2018 – Main Board (Large Cap)" granted by Hong Kong Economic Journal, and, for the third time in a row, the accolade of "Hong Kong Outstanding Enterprise" awarded by Economic Digest. Meanwhile, a number of property projects under the Group won the accolades from various media and organisations, including "Yangzhou High-quality Property Projects 2018" in respect of Yangzhou Jiayuan Guifu (佳源桂府) awarded by Sina Leju (新浪樂居), "Zhenjiang Investment Value Projects of the Year 2018" in respect of "Zhenjiang Jiayuan Paris Metropolis" (鎮江佳源巴黎都市) awarded by FangTianXia (房天下), the "Best Hot Spring for Healthy Life" in respect of Guangdong Enping, Didu Hot Spring Resort in (廣東恩平帝都溫泉度假酒店) awarded by Guangdong Hot Spring Association (廣東溫泉協會) and "Taixing Most Popular Property Projects" (泰興市最受老百姓歡迎樓盤) and "Taixing High-quality Property Projects" (泰興市品質物業樓盤) in respect of Taizhou Venice Metropolis (泰州佳源威尼斯城) awarded by Taixing Real Estate Association (泰興市房地產協會) and so forth, which were testimony of the influence of the "Jiayuan" brand in the real estate market in the PRC.

## *Performance of Corporate Social Responsibilities and Fostering Sustainable Development*

With devotion and commitment to running the communities in its property projects, the Group performs its corporate social responsibilities to foster the sustainable development of the communities. In 2018, whilst moving towards steady development, the Group also took a positive role in performing its corporate social responsibilities by regularly participating in charitable deeds organised by charitable organisations, such as organising corporate volunteer teams to visit youths and senior citizens in the community organised by the Kwun Tong Methodist Social Service, such conveyed positive energy and encouraged them to face their life with positive attitude. In addition, the Group also pushed ahead with green awareness in the community and encouraged staff members to practice low-carbon living, while fully supporting and participating in charity related to sports and culture.

### **III. Continuous Expansion of Land Bank**

Deeply rooted in the Yangtze River Delta Region for many years, the Group took the lead in entering city clusters of the Guangdong-Hong Kong-Macau Greater Bay Area in 2016. The Group acquired various property projects in the core cities of the Greater Bay Area through project merger and acquisition and joint development. Meanwhile, the Group deployed in provincial capital cities with strong fundamentals and planned for high-quality projects in regions along the “Belt and Road” initiative, with abundant land reserves. As of 31 December 2018, the Group had 45 projects in total, spanning 16 domestic and foreign cities. The Group has land reserves with a total GFA of 9.2 million sq.m., of which 65%, 15%, 13% and 7% are in Yangtze River Delta Region, the Guangdong-Hong Kong-Macau Greater Bay Area, other key provincial capital cities and regions along the “Belt and Road” initiative, respectively. It will be enough to meet the development needs for the next three to five years. Hence, the abundant land reserves will provide strong assurance to the continuous growth of the Group’s operating results in the future.

#### **IV. Prospects**

In 2019, the Group expects that the government will continue to implement differentiating control policies and speed up the establishment of a long-term mechanism for the real estate market to promote its steady and healthy development. However, the county and township dwellers have an ongoing desire to improve their living conditions since urbanisation is far from over. To embrace the challenges and opportunities brought by the change of the market, the Group will continue to strictly implement prudent financial policies and risk control measures, ensure construction quality and labour safety, strengthen its contracted sales and cash collection and apply strict cost control to strengthen operating cash flows and ensure investment returns.

In addition, the Group will continue to replenish its premium land bank by adopting pragmatic strategies for land acquisition, optimize the strategic layout of various key regions, and develop competitive premium properties to suit the different urbanisation stages of the PRC with a view to meet market preference in different regions. Going forward, while maintaining healthy development, the Group will make flexible adjustments according to market conditions, seek to achieve continuously high-quality and well-coordinated development for overall uplift of profitability, so as to maximise value for its shareholders.

##### **Property Projects**

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2018, the Group had investment properties with a total GFA of approximately 0.6 million sq.m. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades, through third-party property management firms, in order to enable the Group to select tenants and determine industry composition. The Group's operational model for such integrated commercial complexes is to sell all of the residential properties and 50.0% of the commercial properties; and retain the ownership of 50.0% of the commercial properties for investment properties.

| Project  | Year ended 31 December 2018                         |   |  | Year ended 31 December 2017                         |   |  |
|--|---|---|--|---|---|--|
|  | Contracted sales<br>RMB<br>(million)<br>(unaudited) | Contracted gross floor area<br>("GFA")<br>(sq.m.) | Contracted average selling price<br>("ASP")<br>(RMB per sq.m.) | Contracted sales<br>RMB<br>(million)<br>(unaudited) | Contracted gross floor area<br>("GFA")<br>(sq.m.) | Contracted average selling price<br>("ASP")<br>(RMB per sq.m.) |
| 1. Nanjing Zijin Mansion<br>南京紫金華府                 | 351.8   | 8,967   | 39,230   | 1,544.0   | 46,696  | 33,065   |
| 2. Taizhou Venice Metropolis<br>泰州威尼斯城             | 2,308.6   | 262,673   | 8,789  | 1,268.2   | 150,871   | 8,406  |
| 3. Suqian Rome Metropolis<br>宿遷羅馬都市                | 93.2  | 19,922  | 4,678  | 446.4   | 96,019  | 4,649  |
| 4. Taizhou Jiayuan Central Plaza<br>泰州佳源中心廣場       | 33.0  | 4,295   | 7,680  | 346.9   | 62,654  | 5,537  |
| 5. Taizhou Jiayuan New World<br>泰州新天地              | 111.5   | 4,875   | 22,882   | 237.8   | 20,738  | 11,465   |
| 6. Nantong Jiayuan Metropolis<br>南通佳源都市            | 1,110.0   | 142,115   | 7,811  | 822.8   | 106,132   | 7,752  |
| 7. Yangzhou Jiayuan Centurial City<br>揚州佳源世紀天城     | 1,053.1   | 118,723   | 8,870  | 2,222.8   | 232,091   | 9,577  |
| 8. Zhenjiang Jiayuan Paris Metropolis<br>鎮江佳源巴黎都市  | 765.5   | 89,117  | 8,590  | 390.9   | 50,512  | 7,739  |
| 9. Suqian Paris Metropolis<br>宿遷巴黎都市               | 183.0   | 26,334  | 6,949  | 375.8   | 98,310  | 3,822  |
| 10. Suzhou Jiayuan Metropolis<br>蘇州佳源都市(海藝豪庭)      | 1,730.2   | 95,331  | 18,149   | 449.9   | 31,327  | 14,363   |
| 11. Yangzhou Centurial Honour Mansion<br>揚州世紀天城榮御府 | 3,055.5   | 301,319   | 10,140   | 680.0   | 70,852  | 9,597  |
| 12. Yangzhou Jiayuan Yurun Guifu<br>揚州佳源雨潤桂府       | 3,141.0   | 217,441   | 14,445   | 360.6   | 37,873  | 9,521  |
| 13. Yangzhou Jiayuan Yurun Huafu<br>揚州佳源雨潤華府       | 1,319.4   | 109,235   | 12,078   | 291.1   | 28,705  | 10,141   |
| 14. Suqian The Bund Number One<br>宿遷外灘壹號           | 567.7   | 75,729  | 7,497  | 420.2   | 56,266  | 7,469  |
| 15. Yangzhou Jiayuan Westmount Villa<br>揚州西峰玖墅     | 2,470.8   | 167,286   | 14,770   | –   | –   | –  |
| 16. Hong Kong projects<br>香港項目 (Note 1)            | 294.9   | 3,619   | 81,470   | –   | –   | –  |
| 17. Shanghai projects<br>上海項目 (Note 2)             | 1,106.5   | 60,601  | 18,258   | –   | –   | –  |
| 18. Others   | 484.7   | 79,617  | 6,088  | 512.8   | 87,605  | 5,854  |
| Total  | <b>20,180.4</b>                                     | <b>1,787,209</b>                                  | <b>11,292</b>  | <b>10,370.2</b>                                     | <b>1,176,651</b>                                  | <b>8,813</b>   |

Note 1

\* Hong Kong projects include One Vista (San Hop Lan) and T-Plus

Note 2

\* Shanghai projects include Huijing Huating (上海•滙景華庭), Fengcheng Mingdu (上海•奉成名都) and Jiayuan Dream Square (佳源夢想廣場)

## Investment Properties

The following table sets out a summary of the Group's investment properties (excluding car parks) as at 31 December 2018:

| Project  | Total GFA<br>Held for<br>Investment<br>(sq.m.) | Leased<br>GFA<br>(sq.m.) | Total Rental Income<br>For the year ended<br>31 December |                       |
|--|--|--------------------------|--|-----------------------|
|  |  |                          | 2018<br>(RMB million)                                    | 2017<br>(RMB million) |
| <b>Yangzhou</b>                                |  |                          |  |                       |
| 1. Park Number One<br>公園一號                     | 721  | 721                      | 0.3  | 0.1                   |
| 2. Jiayuan Centurial Garden 世紀花園               | 8,653  | 8,653                    | 0.9  | 0.6                   |
| 3. Jiayuan Centurial Scenery Park 佳源世紀景園       | 915  | –                        | –  | –                     |
| 4. Centurial Honour Mansion 世紀天城榮御府 (Note)     | 4,537  | –                        | –  | –                     |
| 5. Jiayuan Centurial City<br>佳源世紀天城 (Note)     | 127,002  | –                        | –  | –                     |
| 6. Jiayuan Yurun Guifu 佳源雨潤桂府 (Note)           | 1,588  | –                        | –  | –                     |
| <b>Taizhou</b>                                 |  |                          |  |                       |
| 7. Jiayuan Central Plaza<br>佳源中心廣場             | 47,567   | 47,567                   | 1.8  | 0.9                   |
| 8. Venice Metropolis 威尼斯城 (Note)               | 101,883  | –                        | –  | –                     |
| 9. Jiayuan New World 新天地                       | 25,191   | 25,191                   | 3.4  | 1.7                   |
| 10. Qiangxi Garden 羌溪花苑                        | 2,772  | 2,772                    | 0.5  | 0.3                   |
| 11. Jiayuan Mingfu 佳源名府                        | 14,275   | 14,275                   | 2.4  | –                     |
| 12. Oriental Bright City 東方不夜城                 | 34,419   | 34,419                   | 5.8  | 2.9                   |
| 13. Quexiandao Number One<br>鵲仙島一號             | 10,428   | 10,028                   | 3.0  | 1.2                   |
| 14. Guxi Jiayuan Central Plaza 古溪佳源中心廣場 (Note) | 39,228   | –                        | –  | –                     |
| <b>Suqian</b>                                  |  |                          |  |                       |
| 15. Rome Metropolis 羅馬都市                       | 43,886   | 37,534                   | 3.2  | 1.6                   |
| <b>Changzhou</b>                               |  |                          |  |                       |
| 16. Jiayuan Central Plaza<br>佳源中心廣場            | 49,777   | 49,777                   | 2.2  | –                     |
| <b>Nanjing</b>                                 |  |                          |  |                       |
| 17. Zijin Mansion<br>紫金華府                      | 55,289   | –                        | –  | –                     |
| <b>Shanghai</b>                                |  |                          |  |                       |
| 18. Jiayuan Dream Square<br>夢想廣場 (Note)        | 13,187   | 13,787                   | 36.8   | 36.8                  |
| 19. Fengcheng Mingdu<br>奉城名都                   | 13,621   | 13,621                   | 10.7   | 10.7                  |
| 20. Huijing Huating<br>滙景華庭                    | 7,844  | 7,844                    | 2.7  | 2.7                   |
| <b>Total</b>                                   | <b>603,383</b>                                 | <b>266,189</b>           | <b>73.7</b>  | <b>59.5</b>           |

Note: Part of the project is currently under construction.



## Land Reserves

The following table sets out a summary of the Group's land reserves by project as at 31 December 2018:

| Project         | Location                                     | Status  | Expected Completion Date | Project Type | Site Area (sq.m.) | Total GFA (sq.m.) | Ownership Interest % |      |
|-----------------|--|---|--------------------------|--------------|-------------------|-------------------|----------------------|------|
| <b>Yangzhou</b> |  |   |                          |              |                   |                   |                      |      |
| 1.              | Jiayuan Centurial City<br>佳源世紀天城             | Jiangdu District, Yangzhou City,<br>Jiangsu Province          | Under development        | 2021 Q2      | Mixed-use         | 176,234           | 561,819              | 100% |
| 2.              | Centurial Honour Mansion<br>世紀天城榮御府          | Jiangdu District, Yangzhou City,<br>Jiangsu Province          | Under development        | 2021 Q4      | Mixed-use         | 128,795           | 496,147              | 100% |
| 3.              | Jiayuan Westmount Villa<br>佳源西峰玖墅            | Hanjiang District,<br>Yangzhou City, Jiangsu Province         | Under development        | 2020 Q2      | Residential       | 143,822           | 225,966              | 70%  |
| 4.              | Jiayuan Centurial Villa<br>佳源世紀豪園            | Jiangdu District, Yangzhou City,<br>Jiangsu Province          | Completed                | –            | Residential       | 391,088           | 1,803                | 100% |
| 5.              | Jiayuan Centurial Garden<br>佳源世紀花園           | Jiangdu District, Yangzhou City,<br>Jiangsu Province          | Completed                | –            | Residential       | 234,671           | 8,653                | 100% |
| 6.              | Park Number One<br>公園一號                      | Guangling District,<br>Yangzhou City, Jiangsu Province        | Completed                | –            | Residential       | 75,591            | 721                  | 100% |
| 7.              | Jiayuan Centurial Scenery<br>Park<br>佳源世紀景園  | Jiangdu District, Yangzhou City,<br>Jiangsu Province          | Completed                | –            | Residential       | 60,972            | 915                  | 100% |
| 8.              | Jiayuan Yurun Guifu<br>佳源雨潤桂府                | Guangling District, Yangzhou City,<br>Jiangsu Province        | Under development        | 2020 Q3      | Residential       | 119,973           | 223,623              | 100% |
| 9.              | Jiayuan Yurun Huafu<br>佳源雨潤華府                | Guangling District, Yangzhou City,<br>Jiangsu Province        | Under development        | 2020 Q4      | Residential       | 91,722            | 202,509              | 100% |
| <b>Nanjing</b>  |  |   |                          |              |                   |                   |                      |      |
| 10.             | Zijin Mansion<br>紫金華府                        | Xuanwu District, Nanjing City,<br>Jiangsu Province            | Under development        | 2019 Q4      | Residential       | 339,008           | 96,101               | 100% |
| <b>Taizhou</b>  |  |   |                          |              |                   |                   |                      |      |
| 11.             | Youyou Huafu<br>優優華府                         | Urban area of Taixing City, Taizhou<br>City, Jiangsu Province | Proposed for development | 2022 Q4      | Residential       | 56,910            | 141,645              | 100% |
| 12.             | Venice Metropolis<br>威尼斯城                    | Urban area of Taixing City, Taizhou<br>City, Jiangsu Province | Under development        | 2022 Q3      | Residential       | 660,576           | 707,182              | 100% |
| 13.             | Taixing Jiayuan<br>Central Plaza<br>泰興佳源中心廣場 | Huangqiao Town, Taixing City,<br>Jiangsu Province             | Completed                | –            | Mixed-use         | 81,887            | 7,181                | 100% |
| 14.             | Jiayuan Mingfu<br>佳源名府                       | Huangqiao Town, Taixing City,<br>Jiangsu Province             | Under development        | 2019 Q4      | Mixed-use         | 42,054            | 13,483               | 100% |
| 15.             | Jiayuan New World<br>新天地                     | Taixing City, Taizhou City, Jiangsu<br>Province               | Completed                | –            | Mixed-use         | 190,802           | 93,469               | 100% |
| 16.             | Qiangxi Garden<br>羌溪花苑                       | Taixing City, Taizhou City, Jiangsu<br>Province               | Completed                | –            | Residential       | 69,486            | 5,846                | 100% |

| Project           | Location  | Status  | Expected                    |              | Site Area<br>(sq.m.) | Total<br>GFA<br>(sq.m.) | Ownership<br>Interest<br>% |        |
|-------------------|---|---|-----------------------------|--------------|----------------------|-------------------------|----------------------------|--------|
|                   |   |   | Completion<br>Date          | Project Type |                      |                         |                            |        |
| 17.               | Guxi Jiayuan Central Plaza<br>古溪佳源中心廣場            | Guxi Town, Taixing City,<br>Jiangsu Province                  | Completed                   | -            | Mixed-use            | <b>83,048</b>           | 148,347                    | 100%   |
| 18.               | Oriental Bright City<br>東方不夜城                     | Jiangyan District, Taizhou City,<br>Jiangsu Province          | Completed                   | -            | Residential          | <b>77,021</b>           | 34,419                     | 100%   |
| 19.               | Oriental Paris City<br>東方巴黎城                      | Jiangyan District, Taizhou City,<br>Jiangsu Province          | Under<br>development        | 2019 Q4      | Residential          | <b>231,702</b>          | 69,515                     | 100%   |
| 20.               | Quexiandao Number One<br>鵲仙島一號                    | Jiangyan Qinhu scenic area,<br>Taizhou City, Jiangsu Province | Completed                   | -            | Residential          | <b>68,330</b>           | 10,028                     | 100%   |
| 21.               | Jiayuan Central Plaza<br>佳源中心廣場                   | Qintong Town, Taizhou City,<br>Jiangsu Province               | Under<br>development        | 2019 Q4      | Mixed-use            | <b>15,702</b>           | 15,702                     | 100%   |
| <b>Suzhou</b>     |   |   |                             |              |                      |                         |                            |        |
| 22.               | Jiayuan Metropolis<br>(Harbourview)<br>佳源都市(海藝豪庭) | Taicang County, Suzhou City,<br>Jiangsu Province              | Under<br>development        | 2020 Q4      | Residential          | <b>52,988</b>           | 168,118                    | 100%   |
| <b>Suqian</b>     |   |   |                             |              |                      |                         |                            |        |
| 23.               | Elite International Garden<br>名人國際花園              | Sucheng District, Suqian City,<br>Jiangsu Province            | Completed                   | -            | Residential          | <b>53,970</b>           | 389                        | 90%    |
| 24.               | Park Number One<br>公園一號                           | Sucheng District, Suqian City,<br>Jiangsu Province            | Completed                   | -            | Residential          | <b>126,183</b>          | 33,206                     | 90%    |
| 25.               | Paris Metropolis<br>巴黎都市                          | Sucheng District, Suqian City,<br>Jiangsu Province            | Under<br>development        | 2023 Q4      | Residential          | <b>220,520</b>          | 538,373                    | 90%    |
| 26.               | Rome Metropolis<br>羅馬都市                           | Sucheng District, Suqian City,<br>Jiangsu Province            | Under<br>development        | 2020 Q4      | Residential          | <b>302,505</b>          | 713,336                    | 100%   |
| 27.               | The Bund Number One<br>外灘一號                       | Sucheng District, Suqian City,<br>Jiangsu Province            | Under<br>development        | 2021 Q2      | Residential          | <b>83,991</b>           | 218,245                    | 100%   |
| <b>Changzhou</b>  |   |   |                             |              |                      |                         |                            |        |
| 28.               | Jiayuan Central Plaza<br>佳源中心廣場                   | Xueyan Town, Changzhou City,<br>Jiangsu Province              | Completed                   | -            | Mixed-use            | <b>58,601</b>           | 50,508                     | 100%   |
| 29.               | Junchen Fu<br>君宸府                                 | Tianning District, Changzhou City,<br>Jiangsu Province        | Proposed for<br>development | 2020 Q4      | Residential          | <b>26,768</b>           | 77,075                     | 50.5%  |
| 30.               | Jiayuan YueFu<br>悅府                               | Xinbei District, Changzhou City,<br>Jiangsu Province          | Under<br>development        | 2020 Q2      | Residential          | <b>17,996</b>           | 47,692                     | 100.0% |
| <b>Nantong</b>    |   |   |                             |              |                      |                         |                            |        |
| 31.               | Jiayuan Metropolis<br>佳源都市                        | Tongzhou District, Nantong City,<br>Jiangsu Province          | Under<br>development        | 2021 Q2      | Residential          | <b>198,434</b>          | 449,288                    | 100%   |
| <b>Zhengjiang</b> |   |   |                             |              |                      |                         |                            |        |
| 32.               | Jiayuan Paris Metropolis<br>佳源巴黎都市                | Runzhou District, Zhenjiang City,<br>Jiangsu Province         | Under<br>development        | 2020 Q3      | Residential          | <b>119,607</b>          | 203,919                    | 100%   |

| Project          | Location                              | Status  | Expected Completion Date | Project Type | Site Area (sq.m.) | Total GFA (sq.m.) | Ownership Interest % |       |
|------------------|---------------------------------------|---|--------------------------|--------------|-------------------|-------------------|----------------------|-------|
| <b>Shenzhen</b>  |                                       |   |                          |              |                   |                   |                      |       |
| 33.              | Shenzhen Dingxi<br>深圳鼎曦               | Luohu District, Shenzhen, Guangdong Province                            | Proposed for development | 2022 Q2      | Mixed-use         | <b>4,940</b>      | 40,790               | 100%  |
| 34.              | Shenzhen Songling<br>深圳松齡             | Bao'an District, Shenzhen, Guangdong Province                           | Proposed for development | 2020 Q2      | Mixed-use         | <b>4,281</b>      | 38,100               | 100%  |
| <b>Macau</b>     |                                       |   |                          |              |                   |                   |                      |       |
| 35.              | Ocean Hill<br>悅峯                      | Taipa District, Macau   | Proposed for development | 2022 Q4      | Residential       | <b>5,597</b>      | 60,969               | 100%  |
| <b>Jiangmen</b>  |                                       |   |                          |              |                   |                   |                      |       |
| 36.              | Jiayuan Didu Hot Spring<br>佳源帝都溫泉山莊   | Enping County, Jiangmen City, Guangdong Province                        | Proposed for development | 2022 Q4      | Residential       | <b>553,336</b>    | 1,180,000            | 90%   |
| <b>Cambodia</b>  |                                       |   |                          |              |                   |                   |                      |       |
| 37.              | Cambodia, Phnom Penh<br>柬埔寨金邊         | Chroy Changvar District, Phnom Penh, Cambodia                           | Proposed for development | 2022 Q4      | Residential       | <b>608,140</b>    | 608,140              | 100%  |
| <b>Urumqi</b>    |                                       |   |                          |              |                   |                   |                      |       |
| 38.              | Jiayuan Metropolis<br>佳源都市            | Economic and Technological Development District, Urumqi City, Xinjiang  | Under development        | 2021 Q4      | Residential       | <b>74,000</b>     | 344,120              | 90%   |
| <b>Guiyang</b>   |                                       |   |                          |              |                   |                   |                      |       |
| 39.              | Heng Feng Jia Yuan<br>恒豐佳源            | Nanming District, Guiyang City, Guizhou Province                        | Proposed for development | 2023 Q1      | Residential       | <b>120,000</b>    | 856,375              | 61%   |
| <b>Hong Kong</b> |                                       |   |                          |              |                   |                   |                      |       |
| 40.              | One Vista (San Hop Lane)<br>匯賢一號(新合里) | Nos. 1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong         | Under development        | 2019 Q3      | Mixed-use         | <b>1,793</b>      | 29,925               | 70.1% |
| 41.              | Success Centre<br>成功中心                | Nos. 26-38 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong | Under development        | 2020 Q2      | Mixed-use         | <b>1,394</b>      | 22,205               | 70.1% |
| 42.              | T-plus 菁雋                             | No. 2 Tsing Min Path, Tuen Mun, New Territories, Hong Kong              | Under development        | 2019 Q3      | Residential       | <b>2,202</b>      | 21,147               | 70.1% |
| <b>Shanghai</b>  |                                       |   |                          |              |                   |                   |                      |       |
| 43.              | Fengcheng Mingdu<br>佳源奉城名都            | Fengxian District, Shanghai   | Completed                | -            | Mixed-use         | <b>8,442</b>      | 68,892               | 90.0% |
| 44.              | Huijing Huating 滙景華庭                  | Fengxian District, Shanghai   | Completed                | -            | Mixed-use         | <b>5,162</b>      | 90,723               | 90.0% |
| 45.              | Jiayuan Dream Square<br>上海夢想廣場        | Fengxian District, Shanghai   | Under development        | 2022 Q4      | Mixed-use         | <b>31,528</b>     | 433,654              | 90.0% |
| <b>Total</b>     |                                       |   |                          |              |                   | <b>6,139,130</b>  | <b>9,241,657</b>     |       |

## FINANCIAL REVIEW

### Operating Results

#### *Revenue*

Revenue of the Group mainly consists of revenue derived from (i) property development and (ii) property investment. For the year ended 31 December 2018, revenue of the Group amounted to approximately RMB10,458.8 million, representing an increase of approximately 37.5% from approximately RMB7,606.5 million in 2017. Profit and total comprehensive income for the period attributable to the owners of the Company in 2018 was approximately RMB1,794.4 million, representing an increase of approximately 34.7% from approximately RMB1,344.1 million in 2017.

#### *Property Development*

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognised revenue from the sale of properties when the significant risks and rewards of ownership have been transferred to the purchaser, i.e. when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue derived from property development increased by approximately 37.9% to approximately RMB10,381.9 million in 2018 from approximately RMB7,529.3 million in 2017. The increase was mainly due to the delivery of properties pre-sold under Jiayuan Centurial City in Yangzhou and Jiayuan Dream Plaza in Shanghai upon their completion in the first half of 2018.

#### *Property Investment*

The Group's property investment mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and carparks). Revenue generated from property investment amounted to approximately RMB77.0 million in 2018 from approximately RMB77.2 million in 2017. There were no significant change between 2018 and 2017.

#### *Gross Profit and Margin*

Gross profit increased by approximately 28.4% to approximately RMB3,306.3 million in 2018 from approximately RMB2,574.8 million in 2017, while the Group's gross profit margin decreased to 31.6% in 2018 as compared to the gross profit margin of 33.8% in 2017. The decrease in gross profit margin was due to the higher construction cost incurred in 2018.

### *Other Income, Gains and Losses*

The Group had other income of approximately RMB336.4 million and other losses of approximately RMB257.4 million in 2018, totalling approximately RMB79.0 million at a gain. The Group had other income of approximately RMB58.6 million and other gains of approximately RMB79.0 million in 2017, totalling approximately RMB137.6 million at a gain. The significant change of other income, gains and losses was mainly attributable to foreign exchange loss of approximately RMB161.4 million in 2018 from foreign exchange gain of approximately RMB78.4 million in 2017, which was mainly as a result of the depreciation of RMB against USD that contributed to the appreciation of the value of the Group's USD-denominated senior notes.

### *Change in Fair Value of Investment Properties*

The Group's change in fair value of investment properties increased to approximately RMB875.9 million in 2018 from approximately RMB215.4 million in 2017. The increase by approximately 306.6% was mainly due to the inclusion of new investment properties under construction in 2018 such as Venice Metropolis and Guxi Jiayuan Central Plaza in Taizhou and a land lot in Cambodia.

### *Distribution and Selling Expenses*

The distribution and selling expenses increased to approximately RMB297.6 million in 2018 from approximately RMB166.5 million in 2017. The increase by approximately 78.7% was mainly attributable to an increase in sales commission to boost up the sales in 2018.

### *Administrative Expenses*

The Group's administrative expenses increased by approximately 44.1% to approximately RMB310.3 million in 2018 from approximately RMB215.3 million in 2017, which was mainly attributable to the increase of staff salaries and allowances resulting from the expansion of operation scale of the Group.

### *Finance Costs*

The Group's finance costs increased to approximately RMB208.2 million in 2018 from approximately RMB177.3 million in 2017. The increase in finance cost of approximately 17.4% was attributable to the increase in senior notes issued in 2018.

### *Income Tax Expense*

The Group's income tax expense increased to approximately RMB1,594.0 million in 2018 from approximately RMB1,022.3 million in 2017. The Group's income tax expense included payments and provisions made for EIT and LAT less deferred taxation during the year. The increase by approximately 55.9% was due to the increase in the Group's profit from the property development segment in 2018.

### *Profit and Total Comprehensive Income attributable to Owners of the Company*

Profit and total comprehensive income attributable to owners of the Company increased by approximately 34.2% to approximately RMB1,791 million in 2018 from approximately RMB1,334 million in 2017 which was in line with the expansion of the Group's operation in 2018.

### **Liquidity, Financial and Capital Resources**

#### *Cash Position*

As at 31 December 2018, the Group had an aggregate of pledged/restricted bank deposits and bank balances and cash of approximately RMB5,333.6 million (as at 31 December 2017: approximately RMB6,805.4 million), representing a decrease of approximately 21.6% as compared to that as at 31 December 2017. As at 31 December 2018, bank deposits of approximately RMB503 million (as at 31 December 2017: approximately RMB838 million) were pledged to secure bank borrowings raised by the Group.

The Group had restricted bank deposits of approximately RMB857 million as at 31 December 2018 (as at 31 December 2017: approximately RMB137 million) that were restricted for use in specific property development projects.

#### *Borrowings and the Group's Pledged Assets*

As at 31 December 2018, the Group had bank and other borrowings of approximately RMB12,575.1 million (as at 31 December 2017: approximately RMB11,729.9 million). Amongst the borrowings, approximately RMB4,861 million (as at 31 December 2017: approximately RMB3,373 million) will be repayable within one year and approximately RMB7,774 million (as at 31 December 2017: approximately RMB8,357 million) will be repayable after one year.

As at 31 December 2018, bank and other borrowings of approximately RMB12,575.1 million (as at 31 December 2017: approximately RMB11,729.9 million) were secured by bank balances, land use rights and properties of the Group. As at 31 December 2018, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB20,226 million (as at 31 December 2017: approximately RMB16,861 million).

#### *Senior Notes*

In April 2017, the Company issued senior secured notes with a principal amount of US\$50,000,000 due in 2019 (the "April 2019 Senior Notes"). The April 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, matured in April 2019.

In May 2017, the Company issued senior secured notes with a principal amount of US\$50,000,000 due in 2019 (the "May 2019 Senior Notes"). The May 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, matured in May 2019.

In October 2017, the Company issued senior secured notes with a principal amount of US\$160,000,000 due in 2018 (the “October 2018 Senior Notes”). The October 2018 Senior Notes, bearing interest at a fixed rate of 8.0% per annum with interest payable semi-annually in arrears, matured in October 2018.

In November 2017, the Company issued senior secured notes with a principal amount of US\$300,000,000 due in 2018 (the “November 2018 Senior Notes”) which are listed on the Stock Exchange (Stock Code: 5016). The November 2018 Senior Notes, bearing interest at a fixed rate of 8.25% per annum with interest payable semi-annually in arrears, matured in November 2018.

In January 2018, the Company issued senior secured notes with a principal amount of US\$250,000,000 due in January 2019 (the “January 2019 Senior Notes”) which are listed on the Stock Exchange (Stock Code: 5088). The January 2019 Senior Notes, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, matured in January 2019.

In April 2018, the Company issued senior secured notes with a principal amount of US\$100,000,000 due in January 2019 (to be consolidated with and form a single series with the US\$250,000,000 8.125% January 2019 Senior Notes issued in January 2018) (the “April 2019 Senior Notes”) which are listed on the Stock Exchange (Stock Code: 5088). The April 2019 Senior Notes, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, matured in January 2019.

In October 2018, the Company issued senior secured notes with a principal amount of US\$160,000,000 due in October 2019 (the “October 2019 Senior Notes”) (in exchange for the October 2018 Senior Notes due in 2018). The October 2019 Senior Notes, bearing interest at a fixed rate of 10% per annum with interest payable semi-annually in arrears, will mature in October 2019.

On 22 October 2018, the Company issued senior secured notes with a principal amount of US\$225,000,000 due in October 2020 (the “October 2020 Senior Notes”) which are listed on the Stock Exchange (Stock Code:5190). The October 2020 Senior Notes, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature on 22 October 2020.

On 9 November 2018, the Company issued senior secured notes with a principal amount of US\$70,000,000 (to be consolidated with and from a single series with the US\$225,000,000 12% October 2020 Senior Notes issued in October 2018) due in October 2020 (the “November 2020 Senior Notes”) which are listed on the Stock Exchange (Stock Code:5190). The November 2020 Senior Notes, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

On 6 December 2018, the Company issued senior secured notes with a principal amount of US\$80,000,000 due in October 2020 (to be consolidated with and from a single series with the US\$225,000,000 12% October 2020 Senior Notes issued in October 2018 and the US\$70,000,000 12% November 2020 Senior Notes issued in November 2018) (the “First December 2020 Senior Notes”) which are listed on the Stock Exchange (Stock Code:5190).

The First December 2020 Senior Notes, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

On 20 December 2018, the Company issued senior secured notes with a principal amount of US\$25,000,000 due in October 2020 (to be consolidated with and from a single series with the US\$225,000,000 12% October 2020 Senior Notes issued in October 2018, the US\$70,000,000 12% November 2020 Senior Notes issued in November 2018 and the US\$80,000,000 12% First December 2020 Senior Notes issued on 6 December 2018) (the “Second December 2020 Senior Notes”) which are listed on the Stock Exchange (Stock Code:5190). The Second December 2020 Senior Notes, bearing interest at a fixed rate of 12% per annum with interest payable semi-annually in arrears, will mature in October 2020.

#### *Net Gearing Ratio*

The net gearing ratio of the Group increased to 161%, which was mainly due to the Group’s continuous expansion of land bank, particularly in the second half of 2018, in order to meet the development needs in the future. The net gearing ratio was measured by net debt (bank and other borrowings and senior notes as mentioned above net of bank balances and cash and pledged/restricted bank deposits) over the total equity.

#### *Exchange Rate Risk*

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, deposits paid for a life insurance policy, borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations in 2018, though RMB depreciated against U.S. dollar and Hong Kong dollar, the Directors expect that any fluctuation of RMB’s exchange rate will not have material adverse effect on the operation of the Group.

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. The Group considers that no foreign exchange hedging arrangement is needed currently.

#### *Commitments*

As at 31 December 2018, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB6,127 million (as at 31 December 2017: approximately RMB3,474 million).



### *Contingent Liabilities*

As at 31 December 2018, the Group had provided guarantees amounting to approximately RMB6,358.6 million (as at 31 December 2017: approximately RMB4,811.7 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee will be released upon the purchaser obtaining the relevant building ownership certificate and completion of the relevant mortgage registration. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the year ended 31 December 2018 as the possibility of default by the purchasers of the Group's properties is remote.

### *Material Acquisitions and Disposals*

On 8 March 2018, the Group and Guizhou Hengfeng entered into the cooperation agreement, pursuant to which the parties agreed to (a) form a joint venture company on 61:39 basis for the purpose of investing in the shanty town redevelopment project in respect of a parcel of land located at Nanming District, Guiyang City, Guizhou Province in the PRC, and (b) regulate their respective rights and obligations in Guiyang JV. The contribution to the registered capital and the project capital of Guiyang JV by the Group shall be in an aggregate amount of RMB3,739,300,000. Currently, Guiyang JV has been established which is owned as to 61% and 39% by the Group and Guizhou Hengfeng respectively and it is accounted for as a non-wholly owned subsidiary of the Company. The Guiyang JV is principally engaged in acquisition of the target land, project financing, investment, development and sale of the Guiyang Project. Please refer to the Company's announcement dated 8 March 2018 for further details.

On 24 May 2018, the Group and Mr. Tang Shing Bor entered into the sale and purchase agreement, whereby the Group agreed to acquire 70.1% of the entire issued share capital of Jiayuan StarGroup, which indirectly holds (a) properties located at Nos. 1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong; (b) property located at Nos. 26–38 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong; and (c) property located at No. 2 Tsing Min Path, Tuen Mun, New Territories, Hong Kong, for a consideration of HK\$2,620,256,684 subject to adjustment to the consideration. Please refer to the Company's announcement dated 24 May 2018 for further details.

On 5 June 2018, the Company entered into the sale and purchase agreement with Mr. Shum, pursuant to which the Company agreed to acquire project companies which will hold 90% equity interest in certain property development projects located in Shanghai of the PRC after reorganisation, for a consideration of HK\$693,628,828. Details of the transaction were set out in the circular of the Company dated 26 July 2018.

Save as disclosed above, the Group did not have any material acquisitions and disposals during the year ended 31 December 2018.

### *Events after the Reporting Period*

On 19 September 2018, the Company entered into the sale and purchase agreement with Mr. Shum (the “SPA”) whereby the Company agreed to acquire the entire issued share capital of Chuangyuan Holdings at a consideration of HK\$688,974,000, which will be fully settled by the allotment and issue of 50,180,189 consideration shares by the Company to Mr. Shum or his nominee(s) at the issue price of HK\$13.73 per consideration share. The target group is principally engaged in the property management business in the PRC. The SPA and the transactions contemplated thereunder was duly approved by the independent shareholders at the extraordinary general meeting of the Company held on 15 January 2019. The transaction was duly completed on 21 January 2019. Please refer to the Company’s announcement dated 19 September 2018 and the circular dated 24 December 2018 for further details.

On 19 March 2019, the Company entered into a non-legally binding memorandum of understanding (the “MOU”) with Mr. Shum. Pursuant to the MOU, the Company intends to acquire, and Mr. Shum intends to sell, the entire issued share capital in a company to be incorporated in the British Virgin Islands (the “Target Company”, together with its subsidiaries, the “Target Group”), which will own, through its direct and/or indirect subsidiaries, equity interests in all the property development project companies in Anhui Province, the PRC, owned by Mr. Shum and/or companies controlled by him after a corporate reorganization. Please refer to the Company’s announcement dated 19 March 2019 for further details.

### *Future Plans for Material Investments*

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be funded by internal resources and external borrowings. Save as disclosed above, the Group did not have any future plans for material investments as at the date of this announcement.

## Use of Proceeds

The following table sets out the utilisation and breakdown of the actual use of the net proceeds for the Group's first placing and subscription which was announced on 6 June 2017 (the "First Placing and Subscription") and second placing and subscription which was announced on 18 December 2017 (the "Second Placing and Subscription"), respectively, as at 31 December 2018:

| Date of announcement | Fund raising activity           | Date of completion                    | Net proceeds raised               | Intended use of the net proceeds as disclosed in the announcement | Actual use of the net proceeds as of 27 March 2018 (being the date of the 2017 Annual Report)   | Actual utilisation as at 31 December 2018   |
|----------------------|---------------------------------|---------------------------------------|-----------------------------------|---|---|---|
| 6 June 2017          | First Placing and Subscription  | 9 June 2017 and 19 June 2017          | Approximately HK\$1,166.5 million | Acquisition of land bank and general working capital.             | Approximately HK\$1,166.5 million was used for acquisition of land bank, namely, the Macau Land as disclosed in the announcement of the Company dated 6 September 2017.   | All net proceeds were utilized in accordance with the intended uses of the net proceeds as disclosed in the announcement.   |
| 18 December 2017     | Second Placing and Subscription | 27 December 2017 and 28 December 2017 | Approximately HK\$1,399.8 million | Acquisition of land bank and general working capital.             | <p>Approximately HK\$111.1 million was used for acquisition of land bank, namely, a parcel of land in Jiangmen, PRC in March 2018.</p> <p>Approximately HK\$67.8 million was used for interest payments by the Group in respect of its bank borrowings and debt securities.</p> <p>Approximately HK\$4.6 million was used as general working capital of the Group.</p> <p>Approximately HK\$1,216.3 million remained unutilized (the "Unutilised Portions"), which was placed with licensed banks in Hong Kong.</p> | <p>The Unutilised Portions in the amount of approximately HK\$1,216.3 million were used subsequent to 27 March 2018 in the following manners:</p> <p>Approximately HK\$601.2 million was used for acquisition of land bank in Hong Kong, as disclosed in the announcement of the Company dated 24 May 2018.</p> <p>Approximately HK\$279.3 million was used for acquisition of land bank, namely, parcels of land in Cambodia, as disclosed in the announcement of the Company dated 10 May 2018.</p> <p>Approximately HK\$122.7 million was used for acquisition of land bank, namely, a parcel of land in Jiangmen, PRC in March 2018.</p> <p>Approximately HK\$156.0 million was used for interest payments by the Group in respect of its bank borrowings and debt securities.</p> <p>Approximately HK\$57.1 million was used for capital contribution to the Group's PRC companies as investment or further investment.</p> <p>All net proceeds were utilized in accordance with the intended uses of the net proceeds as disclosed in the announcement.</p> |

## **Employees, Remuneration Policies and Share Option Scheme**

As at 31 December 2018, the Group had approximately 670 employees (as at 31 December 2017: 441 employees). For the year ended 31 December 2018, the Group incurred employee costs of approximately RMB97.8 million (as at 31 December 2017: approximately RMB59.3 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 as incentive for eligible employees.

## **CORPORATE GOVERNANCE PRACTICES**

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is committed to achieving high corporate governance standards.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2018.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct for securities transactions by directors and employees who are likely to be in possession of unpublished inside information of the Company (the “Code of Conduct”) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2018.

No incident of non-compliance of the Code of Conduct by the relevant employees was noted by the Company during the year ended 31 December 2018. In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its Directors and relevant employees in advance.

## **REVIEW OF CONSOLIDATED FINANCIAL INFORMATION**

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the final results and the audited consolidated financial statements for the year ended 31 December 2018. The audit committee has also reviewed the effectiveness of the internal control system, financial reporting system and risk management system of the Group and considers such systems to be effective and adequate.

This final results announcement is based on the Company's audited consolidated financial statements for the year ended 31 December 2018 which have been agreed with Deloitte Touche Tohmatsu, the auditor of the Company.

## **FINAL DIVIDEND**

The Board is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for shareholders. After considering the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK11 cents per share. Together with the interim dividend of HK10 cents per share, total dividend was HK21 cents (2017: HK19 cents) per share, representing a dividend payout ratio of approximately 25%.

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting of the Company; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company will be held on Thursday, 13 June 2019 (the "AGM") and the notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

To ensure the eligibility to attend and vote at the AGM and the entitlement to the proposed final dividend, the register of members of the Company will be closed on the following dates:

**For ascertaining shareholders' right to attend and vote at the AGM:**

Latest time to lodge transfers : 4:30 p.m. on Thursday, 6 June 2019  
Book closure dates : Friday, 7 June 2019 to Thursday, 13 June 2019  
(both days inclusive)  
Record date : Thursday, 13 June 2019

**For ascertaining shareholders' entitlement to the proposed final dividend:**

Latest time to lodge transfers : 4:30 p.m. on Wednesday, 19 June 2019  
Book closure dates : Thursday, 20 June 2019 to Friday, 21 June 2019  
(both days inclusive)  
Record date : Friday, 21 June 2019  
Payment date of the final dividend : on or about Tuesday, 30 July 2019

To be eligible to attend and vote at the AGM and qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

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

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

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This announcement of final results has been published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.jiayuanintl.com](http://www.jiayuanintl.com). The 2018 Annual Report for the year ended 31 December 2018 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

\* *For identification purposes only*

By order of the Board  
**Jiayuan International Group Limited**  
**Shum Tin Ching**  
*Chairman*

Hong Kong, 26 March 2019

*As at the date of this announcement, the Board of the Company comprises: (i) Mr. Shum Tin Ching, the Chairman and a Non-executive Director; (ii) Mr. Zhang Yi, a Vice Chairman and an Executive Director; (iii) Mr. Huang Fuqing, a Vice Chairman and an Executive Director; (iv) Ms. Cheuk Hiu Nam, an Executive Director; (v) Mr. Wang Jianfeng, an Executive Director; (vi) Mr. Tai Kwok Leung, Alexander, an Independent Non-executive Director; (vii) Dr. Cheung Wai Bun, Charles, JP, an Independent Non-executive Director; (viii) Mr. Gu Yunchang, an Independent Non-executive Director; and (ix) Mr. Shen Xiaodong, a Non-executive Director.*