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ZHENRO PROPERTIES GROUP LIMITED
正 榮 地 產 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6158)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

ANNUAL RESULTS HIGHLIGHTS

➢ Contracted sales for the year ended December 31, 2018 was RMB108,017.1 million, representing a year-on-year increase of 54.0%.

➢ Revenue for the year ended December 31, 2018 was RMB26,453.1 million, representing a year-on-year increase of 32.3%.

➢ Gross profit for the year ended December 31, 2018 was RMB6,021.3 million, representing a year-on-year increase of 42.8%.

➢ Profit attributable to owners of the parent for the year ended December 31, 2018 was RMB2,120.7 million, representing a year-on-year increase of 50.5%.

➢ Core profit[(1)] attributable to owners of the parent for the year ended December 31, 2018 was RMB1,952.0 million, representing a year-on-year increase of 70.7%.

➢ As of December 31, 2018, net gearing ratio declined significantly to 74.0%, cash on hand was RMB28,369 million.

➢ Proposed final dividend of HK$0.15 per share for the year ended December 31, 2018, representing a year-on-year increase of 50.0%.

Note 1: Defined as net profit excludes changes in fair values of investment properties and financial assets and the relevant deferred taxes.

ANNUAL RESULTS

The board of directors (the "**Board**") of Zhenro Properties Group Limited (the"**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2018. The annual results have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**"). In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	**2018**	2017
		RMB'000	RMB'000
REVENUE	4	**26,453,106**	19,995,061
Cost of sales		**(20,431,790)**	(15,777,701)
Gross profit		**6,021,316**	4,217,360
Other income and gains	4	**407,565**	154,221
Selling and distribution expenses		**(876,602)**	(641,043)
Administrative expenses		**(980,864)**	(664,519)
Impairment losses of financial assets, net		**(4,141)**	—
Other expenses		**(44,921)**	(40,873)
Fair value gains on investment properties		**144,561**	353,798
Finance costs	6	**(381,482)**	(551,539)
Share of profits and losses of:			
Joint ventures		**(59,482)**	(65,557)
Associates		**(98,471)**	(12,269)
PROFIT BEFORE TAX	5	**4,127,479**	2,749,579
Income tax expense	7	**(1,894,942)**	(1,228,185)
PROFIT FOR THE YEAR		**2,232,537**	1,521,394
Attributable to:			
Owners of the parent		**2,120,734**	1,408,876
Non-controlling interests		**111,803**	112,518
		2,232,537	1,521,394
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB0.52**	RMB0.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	RMB'000
PROFIT FOR THE YEAR	**2,232,537**	1,521,394
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(66,015)**	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(66,015)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(66,015)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**2,166,522**	1,521,394
Attributable to:		
Owners of the parent	**2,054,719**	1,408,876
Non-controlling interests	**111,803**	112,518
	2,166,522	1,521,394

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018**	2017
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**876,882**	74,702
Investment properties		**8,461,900**	8,542,700
Prepaid land lease payments		**213,674**	125,360
Other Intangible assets		**9,940**	7,130
Investments in joint ventures		**1,931,702**	1,404,370
Investments in associates		**1,796,827**	207,587
Deferred tax assets		**1,463,999**	1,059,807
Total non-current assets		**14,754,924**	11,421,656
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**862,161**	—
Available-for-sale investments		**—**	5,000
Properties under development		**63,588,003**	40,802,768
Completed properties held for sale		**11,433,470**	16,103,145
Trade receivables	10	**34,151**	15,605
Due from related companies		**7,686,366**	2,677,975
Prepaid land lease payments		**754,184**	2,926,996
Prepayments, other receivables and other assets	11	**12,755,716**	11,815,558
Tax recoverable		**1,160,983**	986,699
Restricted cash		**4,866,036**	3,931,480
Pledged deposits		**963,560**	1,195,303
Cash and cash equivalents		**22,538,953**	14,539,485
Total current assets		**126,643,583**	95,000,014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2018

	Notes	**2018**	2017
		RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	12	**8,212,543**	5,539,852
Other payables and accruals	13	**5,449,969**	4,471,244
Advances from customers		**—**	39,324,143
Contract liabilities		**47,149,486**	—
Due to related companies		**3,332,983**	801,280
Interest-bearing bank and other borrowings		**21,629,210**	20,981,757
Senior notes		**1,094,198**	—
Corporate bonds		**1,115,788**	2,002,359
Tax payable		**2,297,672**	1,429,557
Total current liabilities		**90,281,849**	74,550,192
NET CURRENT ASSETS		**36,361,734**	20,449,822
TOTAL ASSETS LESS CURRENT LIABILITIES		**51,116,658**	31,871,478
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**16,541,379**	19,079,421
Other payables and accruals		**3,285,661**	—
Corporate bonds		**2,034,399**	—
Senior notes		**4,076,627**	—
Deferred tax liabilities		**699,591**	567,756
Total non-current liabilities		**26,637,657**	19,647,177
Net assets		**24,479,001**	12,224,301

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2018

	2018	2017
	RMB'000	RMB'000
EQUITY		
Equity attributable to owners of the parent		
Share capital	**265**	3
Reserves	**13,528,703**	8,178,781
	13,528,968	8,178,784
Perpetual capital securities	**3,008,224**	2,974,443
Non-controlling interests	**7,941,809**	1,071,074
Total equity	**24,479,001**	12,224,301

NOTES TO FINANCIAL STATEMENTS
31 December 2018

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 July 2014. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2018. The registered office of the Company is located at 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

During the year, the Group was principally involved in property development, property leasing and commercial property management.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), (which include all standards and interpretations, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

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

Classification and measurement

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement		Re-			IFRS 9 measurement	
	Note	Category	Amount	classification	ECL	Other	Amount	Category
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets								
Available-for-sale investments		AFS[1]	5,000	(5,000)	—	—	—	N/A
To: Financial assets at fair value through profit or loss	(i)			(5,000)	—	—		
Due from related companies		L&R[2]	2,677,975	—	—	—	2,677,975	AC[3]
Trade receivables		L&R	15,605	—	—	—	15,605	AC
Financial assets included in prepayments, other receivables and other assets		L&R	567,607	—	—	—	567,607	AC
Financial assets at fair value through profit or loss		FVPL[4]	—	5,000	—	—	5,000	FVPL (mandatory)
From: Available-for-sale investments	(i)			5,000	—			
Restricted cash		L&R	3,931,480	—	—	—	3,931,480	
Pledged deposits		L&R	1,195,303	—	—	—	1,195,303	AC
Cash and cash equivalents		L&R	14,539,485	—	—	—	14,539,485	AC
Total assets			22,932,455	—	—	—	22,932,455	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

	Note	IAS 39 measurement Category	IAS 39 measurement Amount RMB'000	Re-classification RMB'000	ECL RMB'000	Other RMB'000	IFRS 9 measurement Amount RMB'000	IFRS 9 measurement Category
Financial liabilities								
Trade and bills payables		AC	5,539,852	–	–	–	5,539,852	AC
Financial liabilities included in other payables and accruals		AC	1,075,316	–	–	–	1,075,316	AC
Due to related companies		AC	801,280	–	–	–	801,280	AC
Corporate bonds		AC	2,002,359	–	–	–	2,002,359	AC
Interest-bearing bank and and other borrowings		AC	40,061,178	–	–	–	40,061,178	AC
Total liabilities			49,479,985	–	–	–	49,479,985	

[1] AFS: Available-for-sale investments

[2] L&R: Loans and receivables

[3] AC: Financial assets or financial liabilities at amortised cost

[4] FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has classified its trust fund investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these financial instruments were held for trading.

There was no significant impact by replacing the aggregate opening impairment allowances under IAS 39 with ECL allowances under IFRS 9 on financial instruments as at 1 January 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

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

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

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

	Notes	**Increase/ (decrease) RMB'000**
Assets		
Deferred tax assets	(iii)	12,150
Properties under development	(i)	651,846
Total assets		663,996
Liabilities		
Advances from customers	(ii)	(39,324,143)
Contract liabilities	(i), (ii)	40,024,590
Total liabilities		700,447
Equity		
Retained profits	(i), (iii)	(20,093)
Non-controlling interests	(i), (iii)	(16,358)
Total equity		(36,451)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

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

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

		Amounts prepared under		
			Previous	**Increase/**
	Notes	**IFRS 15**	**IFRS**	**(decrease)**
		RMB'000	**RMB'000**	**RMB'000**
Revenue	(i), (ii)	26,453,106	26,107,074	346,032
Cost of sales	(i), (ii)	(20,431,790)	(20,134,360)	(297,430)
Gross profit		6,021,316	5,972,714	48,602
Profit before tax		4,127,479	4,129,568	(2,089)
Income tax credit	(iii)	(1,894,942)	(1,883,314)	(11,628)
Profit for the year		2,232,537	2,246,254	(13,717)
Attributable to:				
Owners of the parent	(iii)	2,120,734	2,128,526	(7,792)
Non-controlling interests	(iii)	111,803	117,728	(5,925)
		2,232,537	2,246,254	(13,717)
Earnings per share attributable to ordinary equity holders of the parent				
Basic and diluted				
- For profit for the year		RMB0.52	RMB0.52	—

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amounts prepared under IFRS 15 RMB'000	 Previous IFRS RMB'000	Increase/ (decrease) RMB'000
Deferred tax assets	(iii)	1,463,999	1,463,476	523
Properties under development	(i)	63,588,003	62,472,731	1,115,272
Total assets		141,398,507	140,282,712	1,115,795
Advances from customers	(i), (ii)	—	45,983,523	(45,983,523)
Contract liabilities	(i), (ii)	47,149,486	—	47,149,486
Total liabilities		116,919,506	115,753,543	1,165,963
Net assets		24,479,001	24,529,169	(50,168)
Reserves	(i), (iii)	13,528,703	13,556,588	(27,885)
Non-controlling interests	(i), (iii)	10,950,033	10,972,316	(22,283)
Total equity		24,479,001	24,529,169	(50,168)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service is more than one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant. Accordingly, the adoption of IFRS 15 resulted in the increase of properties under development of RMB651,846,000 and contract liabilities of RMB700,447,000 as at 1 January 2018, respectively, which resulted in a decrease in retained profits of RMB20,093,000 and a decrease in non-controlling interests of RMB16,358,000.

As at 31 December 2018, the adoption of IFRS 15 resulted in an increase in properties under development of RMB1,115,272,000 and a decrease in contract liabilities of RMB1,165,963,000, respectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

(ii) Proceeds from customers of pre-sold properties

Before the adoption of IFRS 15, the Group recognised proceeds from customers of pre-sold properties and the rental received from lessees of commercial properties as advances from customers. Under IFRS 15, the amount is classified as contract liabilities. Accordingly, the Group reclassified advances from customers of RMB39,324,143,000 to contract liabilities as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease of advances from customers of RMB45,983,523,000 and an increase of contract liabilities of RMB47,149,486,000, respectively.

(iii) Other adjustments

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at 31 December 2018 were RMB113,901,000, with the minimum lease payments of RMB48,735,000 due less than one year, RMB62,494,000 due more than one year and less than five years and RMB2,672,000 due more than five years, respectively. Given that the Group had total assets of RMB141,398,507,000 and total liabilities of RMB116,919,506,000 as at 31 December 2018, the directors of the Company are of the view that the initial adoption of IFRS 16 will not have significant impact on the financial performance and position of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development and leasing and commercial property management by project locations for the purpose of making decisions about resource allocation and performance assessment, while no single location's revenue, net profit or total assets exceeds 10% of the Group's consolidated revenue, net profit or total assets. As the economic characteristics are similar in all the locations, where the nature of property development and leasing and management, are similar, as well as the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services, and thus all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue at the end of the reporting period.

4. REVENUE, OTHER INCOME AND GAINS

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

	2018	**2017**
	RMB'000	**RMB'000**
Revenue		
Revenue from contracts with customers		
Sale of properties	26,179,344	19,882,015
Property management service income	56,610	38,816
Management service income	112,340	2,876
Revenue from other sources		
Rental income	104,812	71,354
	26,453,106	19,995,061

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 December 2018

	RMB'000
Timing of revenue recognition:	
Revenue from sale of properties recognised at a point in time	26,179,344
Revenue from property management services recognised over time	56,610
Revenue from management service income recognised over time	112,340
	26,348,294

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 **RMB'000**
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of properties	21,449,886
Property management service income	2,487
	21,452,373

4. REVENUE, OTHER INCOME AND GAINS (Continued)

	2018 RMB'000	2017 RMB'000
Other income		
Interest income	272,424	138,182
Others	11,486	3,636
	283,910	141,818
Gains		
Net fair value gain from financial assets at fair value through profit or loss	80,452	—
Exchange gain	11,052	—
Forfeiture of deposits	16,313	10,257
Gain on disposal of subsidiaries	11,641	1,708
Gain on bargain purchase	3,734	—
Gain on disposal of items of property, plant and equipment	463	438
	123,655	12,403
	407,565	154,221

5. PROFIT BEFORE TAX

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

	2018 RMB'000	2017 RMB'000
Cost of inventories sold	20,274,343	15,753,173
Impairment losses written off for completed properties held for sale (Note)	(186,508)	(72,330)
Impairment losses recognised for properties under development	282,783	74,030
Depreciation of items of property, plant and equipment	29,235	21,708
Amortisation of other intangible assets	4,437	2,702
Gain on disposal of items of property plant and equipment, net	46	(351)
Gain on disposal of subsidiaries	(11,641)	(1,708)
Rental expenses	49,980	32,119
Auditors' remuneration	9,816	7,290
Impairment lossed on financial assets, net	4,141	—
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	452,908	385,005
Pension scheme contributions and social welfare	59,606	49,665

Note: It is included in cost of sales in the consolidated statement of comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank loans and other borrowings, corporate bonds, senior notes and proceeds from asset-backed securities	3,771,616	2,948,345
Interest expense arising from revenue contracts	860,149	—
	4,631,765	2,948,345
Less: Interest capitalised	(4,250,283)	(2,396,806)
	381,482	551,539

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2018.

Subsidiaries of the Group operating in Mainland China are subject to PRC CIT rate at a of 25% for the year.

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

	2018 **RMB'000**	**2017** **RMB'000**
Current tax:		
PRC CIT	1,279,020	848,245
PRC LAT	1,047,904	610,225
Deferred tax	(431,982)	(230,285)
Total tax charge for the year	1,894,942	1,228,185

7. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2018 RMB'000	2017 RMB'000
Profit before tax	4,127,479	2,749,579
At the statutory income tax rate	1,031,870	687,395
Profits and losses attributable to joint ventures and associates	39,488	19,457
Expenses not deductible for tax	22,480	13,490
Tax losses and deductible temporary differences utilised from previous years	(185,337)	(104,709)
Deductible temporary differences not recognised	75,961	60,263
Tax losses not recognised	124,552	94,620
Provision for LAT	1,047,904	610,225
Tax effect on LAT	(261,976)	(152,556)
Tax charge at the Group's effective rate	1,894,942	1,228,185

The share of tax charge attributable to joint ventures and associates amounted to RMB620,547,000 for the year (2017: RMB321,667,000). The share of tax credit attributable to joint ventures and associates amounting to RMB 567,895,000 for the year (2017: RMB295,724,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statements of profit or loss and other comprehensive income.

Tax payable in the consolidated statement of financial position represents:

	2018 RMB'000	2017 RMB'000
PRC CIT payable	1,228,218	798,535
PRC LAT payable	1,069,454	631,022
Total tax payable	2,297,672	1,429,557

8. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Proposed final – HK$0.15 (2017: HK$0.1) per ordinary share	527,662	329,918

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

9. EARNINGS PER SHARE ATTRIBTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,069,435,616 (2017: 2,999,974,584) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2018 and 2017 was based on 1 share of the Company as at 1 January 2017, 49,999 shares of the Company issued in the year ended 31 December 2017, and 2,999,950,000 ordinary shares of the Company issued under the capitalisation issue occurred as 16 January 2018, as if these additional shares issued under the capitalisation issue had been in issue throughout the years ended 31 December 2018 and 2017. On the same day, the Company issued 1,000,000,000 new ordinary shares. And on 2 February 2018, the over-allotment option has been partially exercised and the Company allotted and issued 123,000,000 additional shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

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

	2018 RMB'000	2017 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company	2,120,734	1,408,876
Shares		
Weighted average number of ordinary shares in issue during the year	4,069,435,616	2,999,974,584
Earnings per share		
Basic and diluted	RMB0.52	RMB0.47

10. TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	34,151	15,605
Impairment	—	—
	34,151	15,605

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Less than 1 year	33,432	11,693
Over 1 year	719	3,912
	34,151	15,605

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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on evaluation on the expected loss rate and gross carrying amount, the directors of the Company are of the opinion that the ECL in respect of these balances is considered immaterial and therefore there has not been a loss allowance provision.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments related to land use rights	5,033,898	4,919,534
Deposits	1,321,197	2,653,754
Prepayments for acquisition of land use rights	—	2,252,435
Other tax recoverable	2,105,124	1,336,866
Due from non-controlling shareholders of the subsidiaries	3,964,789	479,138
Prepayments for construction cost	158,239	85,362
Other receivables	176,610	88,469
	12,759,857	11,815,558
Impairment	(4,141)	—
	12,755,716	11,815,558

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

The internal credit rating of amounts due from non-controlling shareholders of subsidiaries, amounts due from third parties and other deposits were performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. The expected loss rate of these receivables is assessed to be 0.1%. The Group has evaluated the expected loss rate and gross carrying amount, measured the impairment based on the 12-month expected credit losses, and assessed that the expected credit losses were RMB4,141,000 as at 31 December 2018 (2017: Nil).

12. TRADE AND BILLS PAYABLES

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

	2018 RMB'000	2017 RMB'000
Within 1 year	8,115,173	5,461,411
Over 1 year	97,370	78,441
	8,212,543	5,539,852

The trade payables are unsecured and are normally settled based on the progress of construction.

13. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Deposits related to land use rights	1,992,577	2,737,349
Advances from non-controlling shareholders of subsidiaries	2,181,899	851,470
Retention deposits related to construction	377,638	351,086
Interest payable	119,067	161,731
Payroll and welfare payable	248,924	112,288
Deposits related to sales of properties	161,958	78,950
Business tax and surcharges	185,937	69,405
Maintenance fund	119,607	61,970
Proceeds from asset-backed securities (Note)	3,285,661	—
Others	62,362	46,995
	8,735,630	4,471,244
Less: current portion	5,449,969	4,471,244
Non-current portion	3,285,661	—

Except for proceeds from asset-backed securities, other payables and advances from non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the reporting periods approximated to their corresponding carrying amounts.

Note: The balance represented proceeds received from a special purpose entity ("SPE") set up by a financial institution in the PRC for issuance of asset-backed securities, to which the Group has collateralised the certain future trade receivables for the remaining receipts from sales of properties. Under an assignment arrangement between the Group and the SPE, as and when the Group receives the sale proceeds from customers, the Group would remit any cash flows it collects on behalf of the SPE.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present to you the business review of Zhenro Properties Group Limited ("Zhenro Properties" or the "Company", together with subsidiaries, the "Group") for the year ended December 31, 2018 and its outlook for 2019.

RESULTS

2018 is a year of significance for Zhenro Properties. In addition to the successful listing on the Main Board of The Stock Exchange of Hong Kong for access to the international capital markets at the beginning of the year, it achieved contracted sales of RMB108.0 billion for the year, representing a year-on-year increase of 54.0%. For the year ended December 31, 2018, the revenue of the Group increased by 32.3% year-on-year to RMB26,453.1 million; the gross profit margin increased by 1.7 percentage points year-on-year to 22.8%; the profit attributable to owners of the parent was RMB2,120.7 million, representing a significant year-on-year increase of 50.5%; core profit attributable to owners of the parent was RMB1,952.0 million, representing a significant year-on-year increase of 70.7%. The Board recommended a final dividend of HK$0.15 per share, which accounts for approximately 27.0% of the core profit attributable to owners of the parent.

BUSINESS REVIEW OF 2018

Contracted Sales exceeding RMB100 billion

In 2018, China's macro economy experienced a modest growth. However, with the impacts from the uncertainty risk of the macro environment, the restricted property policies, gradual exit of the monetized resettlement policy for shanty town redevelopment and other factors, the property industry experienced a rise followed by a decline. The Group has always adhered to the business principles of prudence and steadiness. In 2018, it continued to achieve good results, with the amounts of both contracted sales and contracted GFA sold reached new high and the contracted sales grew significantly by 54.0% year-on-year to RMB108.0 billion, surpassed the 100-billion level of property enterprises and strengthened its leading position in the industry. Such outstanding results represent a gift for Zhenro Properties' 20th anniversary.

Enhancement of Nationwide Development

2018 is a year of enhancing the nationwide development for the Group. In response to the rapid development of the transportation network, increasingly porous geographic boundary and urban cluster development, the Group adopted the strategy of "metropolitan circles focus and regional penetration". During the year, the Group has adhered to the business principles of steadiness and prudence and has acquired 57 parcels of land with a total GFA of 11.14 million sq.m. During the year, the Group expanded its businesses to Chengdu and Chongqing region and the southern China region, forming a business coverage over six major regions in China. As at December 31, 2018, the Group had a land bank of GFA of 24.56 million sq.m. in 28 cities in China, with the average land cost being RMB4,491 per sq. m. The Group is optimistic about the development potential and prospect of the property markets in the first- and second-tier cities, with approximately over 70% of its land bank located in the first- and second-tier cities.

Optimization of Corporate Structure to Enhance Operational Efficiency

Upon surpassing the 100-billion sales, the Group strives to improve its corporate structure by putting forward the principle of "optimization of headquarter and enhancement of regional companies" to realize sustainable and high-quality growth with the new business scale. On one hand, it integrated existing business arrangements and established competent regional companies in order to achieve optimization and concentration of management and resources; on the other hand, it accelerated the authorization to regional companies to support their rapid development and to improve the efficiency of project execution, through constructing a fusiform management structure.

Optimization of Financial Structure and Expansion of Financing Channels

A solid financial position is the basis for the Group to realize sustainable and high-quality development. Therefore, during the year, the Group actively reduced leverage and enhanced cash flow management to improve its financial position. In addition, the Group took advantage of the listing platform to expand financing channels in both domestic and offshore capital markets. During the year, it successively issued senior notes in the amount of USD760 million, corporate bonds in the amount of RMB2,000 million and asset-backed securities in the amount of RMB3,504 million.

As at December 31, 2018, major financial ratios of the Group have significantly improved, with the net gearing ratio decreased significantly to 74.0%, the cash to short term debt ratio improved to approximately 1.2 times and the weighted average financing cost of debt as of year end being 7.8%.

"Home Upgrade Master (改善大師)" and Products Upgrade

In recent years, it can be observed from the change in structures of the average GFA per unit sold in China and the average floor area per household in the major first-, second- and third-tier cities that the drivers for property demands have gradually changed from end-users to upgraders. The Group has positioned itself as "Home Upgrade Master". During the year, it comprehensively upgraded the residential product lines, thus forming three major residential series, namely "Zhenro Mansion", "The Pinnacle" and "The Habitat", and launched such products across China. Of which, "The Pinnacle" series was rated as one of the "Affordable Luxury and Quality Residence Top 10". Through years of development, the Group's "Home Upgrade Master" brand image is well recognized in the market, which follows the general trend of change in the structure of property market demand, and lays a solid foundation for product price premium.

The Group believes "upgrade" means residential space upgrade as well as improvement in the life-style and urban function modules. Based on such philosophy, the Group also upgraded its commercial product lines during the year, thus forming the three major commercial property series, namely "Zhenro Center", "Zhenro Street" and "Neighborhood".

Awards and Recognition

With the larger scale and the improved industry position of Zhenro Properties, the progress and achievements of the Group have been recognized by different sectors. In June 2018, shares of the Company were included into the Hang Seng Composite LargeCap & MidCap Index and eligible stocks under Shanghai/Shenzhen-Hong Kong Stock Connect Southbound. During the year, the Group was awarded the title of "China's Top 13 Property Enterprises in Terms of Brand Value", was ranked 18th in "China's Top 200 Real Estate Enterprises in Terms of Comprehensive Strength" and was honored the awards of "Newly Listed Shares with the Most Investment Value 2018" in Golden Lion Award and the "The Most Popular New IPO Company" in Golden Hong Kong Stocks Awards, and continued to be awarded the honors of "Excellent Employer 2018" and "The Best Corporate Employer 2018".

OUTLOOK FOR 2019

Looking forward to 2019, subject to the unchanged principle of "houses are built for living in, not for speculation", implementation according to local conditions and classified guidance provide more autonomy for local governments. The policy focus will be gradually shifted from housing price control to housing price stabilization, meanwhile the promotion of long-term mechanism will be accelerated. The Group believes that in 2019, the industry will be at a critical point for reform, and expects that the formation of a long-term mechanism will play an important role in stabilizing the long-term and sound development of the industry, while sales decline and the increased industry concentration are inevitable trends of the property market. Facing the industry changes, the Group will be cautious as well as proactively seize development opportunities in the new business environment.

The Group will actively improve the sales performance and maintain appropriate scale advantages. The Group has set the contracted sales target of RMB130 billion in 2019. Its sufficient and high-quality saleable resources will support the Group in achieving a high-quality, sustainable and steady growth. In addition, the Group will continue to enhance cash flow management, pay attention to collection of sales proceeds and maintain sufficient capital liquidity, so as to easily respond to possible fluctuations in the market.

Facing fierce competition in the land market, we will pay close attention to market change, insist on the strategy of regional penetration, focus on first- and second-tier cities and their metropolitan circles, so as to fully explore opportunities. The Group believes that China's urbanization will be a long-term development, and the property demands will remain strong in booming metropolitan circles and their surrounding core cities. The Group will reasonably replenish high-quality land bank while ensuring sufficient cash flow, so as to maintain and reinforce the competitive strengths of Zhenro Properties.

In terms of financial strategy, the Group will keep paying attention to reasonable and sufficient liquidity, continue to utilize and enhance the resource advantages of the listing platform, construct a domestic and offshore linked platform, in order to realize more diversified financing, optimize debt structure and lower financing cost. Meanwhile, the Group will take a cautious and prudent project investment strategy, and further reduce its financial leverage level through improving its operational results.

The Group will cautiously develop new businesses while holding on to the main business segment and expanding its business scale. We expects that demands for transitional and interim housing will increase in core cities. Meanwhile, considering the great support from local governments for the development of the housing rental market, the Group will launch its first long-term rental apartment, "Rongyu (榮寓)", in Shanghai.

Throughout years of development, it is demonstrated that the Group is able to respond to industry fluctuations, seize opportunities, achieve growth and realize a win-win situation with shareholders and employees, with its principles of integrity, excellent quality and responsibility. Looking forward, we will actively embrace the reform, improve our setup and ability through innovation of the organizational structure, pay attention to the scale and operational effectiveness, seize market opportunities, and create a win-win future with shareholders.

APPRECIATION

Finally, on behalf of the Board, I would like to express our sincere appreciation to all shareholders for their support, and all employees for their dedication and hard work in the past year. We will continue to uphold our core value of "prosperity from integrity" and achieve a sustainable and healthy growth, so as to bring our shareholders economic returns and develop ourselves into a respectful and sustainable competitive enterprise.

Zhenro Properties Group Limited
HUANG Xianzhi
Chairman

LAND BANK

As of December 31, 2018, the Group had a total of 145 property projects located in 28 cities. Among these properties, 86 projects were developed and owned by the Group and 59 were developed by the Group's joint venture and associated companies. The Group had a total land bank of over 24.6 million sq.m. in GFA, or approximately 13.0 million sq.m. on an attributable basis, as of December 31, 2018.

Total land bank represents the sum of (i) total GFA available for sale and total leasable GFA for completed properties, (ii) total GFA for properties under development and (iii) total GFA for properties held for future development.

The following table sets forth details of the Group's land bank by regions as of December 31,2018.

	Regions	Number of Projects	Completed GFA Available for Sale/Leasable GFA	GFA under Development	Planned GFA of Future Development	Total Land Bank[1]	% of Total Land Bank
			sq.m.	*sq.m.*	*sq.m.*	*sq.m.*	*%*
Properties developed by the Group and its subsidiaries							
Yangtze River Delta Economic Region							
1	Shanghai	5	222,907	56,686	233,337	512,930	2.1%
2	Nanjing	6	92,121	660,185	—	752,306	3.1%
3	Suzhou	7	207,957	571,088	—	779,045	3.2%
4	Hefei	3	—	611,140	158,476	769,616	3.1%
5	Jiaxing	3	—	235,568	—	235,568	1.0%
6	Chuzhou	1	—	146,737	—	146,737	0.6%
7	Lu'an	1	—	134,645	424,121	558,765	2.3%
	Sub-total	**26**	**522,985**	**2,416,048**	**815,934**	**3,754,967**	**15.3%**
	Attributable Sub-total	**26**	**475,934**	**1,533,707**	**535,060**	**2,544,701**	
Middle China Economic Region							
8	Zhengzhou	1	—	275,539	393,386	668,925	2.7%
9	Wuhan	1	39,550	128,885	26,808	195,243	0.8%
10	Changsha	4	83,835	558,085	666,427	1,308,346	5.3%
11	Xiangyang	1	—	271,743	—	271,743	1.1%
	Sub-total	**7**	**123,385**	**1,234,252**	**1,086,620**	**2,444,257**	**10.0%**
	Attributable Sub-total	**7**	**121,345**	**749,428**	**915,041**	**1,785,814**	
West China Economic Region							
12	Xi'an	2	104,689	203,589	—	308,278	1.3%
13	Chengdu	1	—	—	7,190	7,190	0.0%
	Sub-total	**3**	**104,689**	**203,589**	**7,190**	**315,468**	**1.3%**
	Attributable Sub-total	**3**	**104,689**	**203,589**	**4,674**	**312,952**	

	Regions	Number of Projects	Completed GFA Available for Sale/Leasable GFA	GFA under Development	Planned GFA of Future Development	Total Land Bank[1]	% of Total Land Bank
			sq.m.	*sq.m.*	*sq.m.*	*sq.m.*	*%*
Bohai Economic Rim							
14	Tianjin	5	60,283	337,554	200,113	597,949	2.4%
15	Jinan	2	—	354,605	—	354,605	1.4%
	Sub-total	**7**	**60,283**	**692,159**	**200,113**	**952,555**	**3.9%**
	Attributable Sub-total	**7**	**60,283**	**490,699**	**162,306**	**713,288**	
Western Taiwan Straits Economic Zone							
16	Fuzhou	18	81,134	2,143,262	246,313	2,470,709	10.1%
17	Nanping	6	195,051	236,776	—	431,827	1.8%
18	Pingtan	1	—	162,760	—	162,760	0.7%
19	Nanchang	2	—	386,623	—	386,623	1.6%
20	Ganzhou	10	278,416	955,676	—	1,234,092	5.0%
21	Ji'an	2	—	115,597	187,198	302,795	1.2%
22	Putian	2	4,785	—	—	4,785	0.0%
23	Quanzhou	1	—	156,817	—	156,817	0.6%
	Sub-total	**42**	**559,386**	**4,157,511**	**433,510**	**5,150,408**	**21.0%**
	Attributable Sub-total	**42**	**559,377**	**3,285,572**	**339,912**	**4,184,861**	
Pearl River Delta Economic Zone							
24	Foshan	1	—	175,261	190,795	366,055	1.5%
	Sub-total	**1**	**—**	**175,261**	**190,795**	**366,055**	**1.5%**
	Attributable Sub-total	**1**	**—**	**59,589**	**64,870**	**124,459**	
	Sub-total	**86**	**1,370,728**	**8,878,820**	**2,734,162**	**12,983,709**	**52.9%**
	Attributable Sub-total	**86**	**1,321,629**	**6,322,583**	**2,021,862**	**9,666,074**	
Properties developed by the Group's joint ventures and associated companies							
Yangtze River Delta Economic Region							
	Shanghai	1	—	348,062	—	348,062	1.4%
	Jiaxing	4	—	625,695	—	625,695	2.5%
	Nanjing	3	—	731,515	—	731,515	3.0%
	Chuzhou	1	—	203,407	—	203,407	0.8%
25	Xuzhou	3	—	242,636	445,657	688,293	2.8%
	Suzhou	18	—	2,324,582	—	2,324,582	9.5%
	Hefei	2	—	448,952	—	448,952	1.8%
26	Wuxi	1	—	206,471	—	206,471	0.8%
	Lu'an	1	—	45,112	411,634	456,746	1.9%
	Sub-total	**34**	**—**	**5,176,432**	**857,291**	**6,033,722**	**24.6%**
	Attributable sub-total	**34**	**—**	**1,440,563**	**263,019**	**1,703,582**	

	Regions	Number of Projects	Completed GFA Available for Sale/Leasable GFA	GFA under Development	Planned GFA of Future Development	Total Land Bank[(1)]	% of Total Land Bank
			sq.m.	*sq.m.*	*sq.m.*	*sq.m.*	*%*
Middle China Economic Region							
	Zhengzhou	1	—	227,181	—	227,181	0.9%
27	Xuchang	1	—	79,481	—	79,481	0.3%
	Wuhan	2	—	423,565	545,571	969,136	3.9%
	Sub-total	**4**	**—**	**730,227**	**545,571**	**1,275,798**	**5.2%**
	Attributable sub-total	**4**	**—**	**251,379**	**210,033**	**461,412**	
West China Economic Region							
28	Chongqing	1	—	113,124	277,325	390,449	1.6%
	Sub-total	**1**	**—**	**113,124**	**277,325**	**390,449**	**1.6%**
	Attributable sub-total	**1**	**—**	**18,100**	**44,372**	**62,472**	
Bohai Economic Rim							
	Tianjin	4	—	808,980	—	808,980	3.3%
	Jinan	6	—	933,045	191,948	1,124,993	4.6%
	Sub-total	**10**	**—**	**1,742,025**	**191,948**	**1,933,973**	**7.9%**
	Attributable sub-total	**10**	**—**	**372,886**	**63,343**	**436,229**	
Western Taiwan Straits Economic Zone							
	Fuzhou	3	—	530,697	—	530,697	2.2%
	Yichun	1	—	37,032	89,207	126,239	0.5%
	Ji'an	1	—	235,221	—	235,221	1.0%
	Nanchang	4	—	608,416	—	608,416	2.5%
	Ganzhou	1	—	446,264	—	446,264	1.8%
	Sub-total	**10**	**—**	**1,857,631**	**89,207**	**1,946,838**	**7.9%**
	Attributable sub-total	**10**	**—**	**628,872**	**31,223**	**660,095**	
Properties developed by the Group's joint ventures and associated companies		59	—	9,619,438	1,961,341	11,580,779	47.1%

Regions	Number of Projects	Completed GFA Available for Sale/Leasable GFA	GFA under Development	Planned GFA of Future Development	Total Land Bank[1]	% of Total Land Bank
		sq.m.	*sq.m.*	*sq.m.*	*sq.m.*	*%*
Properties developed by the Group's joint ventures and associated companies on an attributable basis	59	—	2,711,801	611,989	3,323,790	
Total land bank	145	1,370,728	18,498,258	4,695,503	24,564,489	100.0%
Total land bank on an attributable basis	145	1,321,629	9,034,384	2,633,852	12,989,864	

Note:

(1) Total GFA of the Group's land bank includes (i) GFA available for sale and total leasable GFA for completed properties, (ii) total GFA for properties under development and (iii) total GFA for properties held for future development. For projects not wholly held as 100%, total GFA will be adjusted by our equity interest in the respective project.

MANAGMENT DISCUSSION AND ANALYSIS

PERFORMANCE HIGHLIGHTS

	For the Year Ended December 31, 2018	2017	Year-over-Year Change
Contracted sales (1)			
Contracted sales (RMB million)	108,017	70,153	54.0%
Contracted GFA sold (sq.m.)	6,442,995	3,795,355	69.8%
Contracted ASP (RMB/sq.m.)	16,765	18,484	-9.3%
Selected financial information(RMB million)			
Revenue	26,453	19,995	32.3%
Cost of sales	20,432	15,778	29.5%
Gross profit	6,021	4,217	42.8%
Profit before income tax	4,127	2,750	50.1%
Profit for the year	2,233	1,521	46.8%
Attributable to:			
Owners of the parent	2,121	1,409	50.5%
Non-controlling interest	112	112	—
Core profit (2)	2,064	1,256	64.3%
Core profit attributable to Owners of the parent	1,952	1,144	70.7%

	As of December 31, 2018	2017	Year-over-Year Change
Total assets (RMB million)	141,399	106,422	32.9%
Total liabilities (RMB million)	116,920	94,198	24.1%
Total equity (RMB million)	24,479	12,224	100.3%
Equity attributable to owners of the Company (RMB million)	13,529	8,179	65.4%
Current ratio (3)	1.4	1.3	
Net gearing ratio (4)	74.0%	183.2%	

Notes:

(1) Includes contracted sales by the Group's subsidiaries, joint ventures and associated companies. Contracted sales data is unaudited and is based on internal information of the Group. Contracted sales data may be subject to various uncertainties during the process of collating such sales information and is provided for investors' reference only.

(2) Defined as net profit excludes changes in fair values of investment properties and financial assets and the relevant deferred taxes.

(3) Current ratio equals to current assets divided by current liabilities as of the end of the year.

(4) Net gearing ratio equals to total borrowings less cash and bank balances divided by total equity as of the end of the year and multiplied by 100.

PROPERTY DEVELOPMENT

Contracted Sales

For the year ended December 31, 2018, the Group recorded contracted sales of RMB108,017.1 million, representing a 54.0% year-over-year increase from 2017, which was primarily due to the increase in salable GFA accumulated by the Group in first- and second-tier cities in the past several years by executing the Group's development strategies.

For the year ended December 31, 2018, total contracted GFA sold amounted to approximately 6.4 million sq.m., representing an increase of approximately 69.8% from approximately 3.8 million sq.m. for the year ended December 31, 2017. Contracted average selling price ("**ASP**") for the year ended December 31, 2018 was approximately RMB16,765 per sq.m., compared with RMB18,484 per sq.m. for the year ended December 31, 2017. The decrease was primarily due to the increase in the proportion of GFA with a relatively lower ASP among total contracted GFA in 2018.

Contracted sales from Yangtze River Delta Economic Region, Western Taiwan Straits Economic Zone, Middle China Economic Region, Bohai Economic Rim and West China Economic Region contributed to approximately 52.7%, 25.8%, 14.1%, 5.6% and 1.8%, respectively, of the Group's total contracted sales in 2018.

The following table sets out the geographic breakdown of the Group's contracted sales in 2018.

	Contracted GFA Sold	Contracted Sales	Contracted ASP	% of Contracted Sales
	sq.m.	*RMB'000*	*RMB/sq.m.*	*%*
Yangtze River Delta Economic Region	3,112,677	56,976,995	18,305	52.7%
Western Taiwan Straits Economic Zone	1,870,108	27,817,506	14,875	25.8%
Middle China Economic Region	1,021,540	15,225,145	14,904	14.1%
Bohai Economic Rim	280,256	6,016,779	21,469	5.6%
West China Economic Region	158,415	1,980,705	12,503	1.8%
Total	6,442,995	108,017,130	16,765	100.0%

Advances from customers amounted to approximately RMB47,149.5 million for the year ended December 31, 2018, representing an increase of 19.9% from approximately RMB39,324.1 million for the year ended December 31, 2017. Such advances from customers represents the proceeds received from customers in connection with our pre-sale of properties, which formed a solid basis for the Group's future growth in recognized revenue.

Revenue Recognized from Sales of Properties

Revenue recognized from sales of properties increased by approximately 31.7% from RMB19,882.0 million for the year ended December 31, 2017 to RMB26,179.3 million for the year ended December 31, 2018, accounting for 99.0% of the Group's total revenue. The Group's recognized ASP from sales of properties was approximately RMB17,445 per sq.m. in 2018, representing a 33.0% increase from RMB13,116 per sq.m. in 2017, primarily due to the Group's further penetration in Yangtze River Delta Economic Region and Bohai Economic Rim, where prevailing market prices of properties are relatively higher.

The increase in revenue recognized from sales of properties was primarily due to (i) more GFA completed and delivered as a result of the Group's continuing expansion, and (ii) an overall increase in the ASP recognized in 2018.

During the year of 2018, the properties delivered by the Group included Nanjing Zhenro Royal Fame (南京正榮 • 潤峯), Nanjing Zhenro Splendid Land 2 (南京正榮 • 潤錦城) and Shanghai Hongqiao Zhenro Center (上海虹橋 • 正榮中心) and others. The following table sets forth the details of the revenue recognized from the sales of properties of the Group by geographical location for the periods indicated.

	Recognized Revenue from Sales of Properties		% of Recognized Revenue from Sale of Properties		Total GFA Delivered		Recognized ASP	
	RMB'000	*RMB'000*	*%*	*%*	*sq.m.*	*sq.m.*	*RMB/Sq.m.*	*RMB/Sq.m.*
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Yangtze River Delta Economic Region	20,541,020	10,087,757	78.5	50.8	854,608	474,639	24,036	21,254
Western Taiwan Straits Economic Zone	4,426,047	7,373,677	16.9	37.1	478,171	849,565	9,256	8,679
Middle China Economic Region	1,093,383	72,164	4.2	0.4	161,372	15,464	6,776	4,667
Bohai Economic Rim	94,051	2,294,750	0.3	11.5	4,019	171,606	23,400	13,372
West China Economic Region	24,843	53,667	0.1	0.2	2,481	4,611	10,014	11,638
Total	26,179,344	19,882,015	100.0	100.0	1,500,651	1,515,885	17,445	13,116

Completed Properties Held for Sale

Properties held for sale represent completed properties remaining unsold at the end of each financial period and are stated at the lower of cost and net realizable value. Cost of properties held for sale is determined by an apportionment of related costs incurred attributable to the unsold properties.

As of December 31, 2018, the Group had completed properties held for sale of RMB11,433.5 million, representing a 29.0% decrease from RMB16,103.1 million as of December 31, 2017. The decrease was primarily due to the delivery of the completed properties sold and the revenue recognised in 2018. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

Properties Under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, capitalized interests and other costs directly attributable to such properties incurred during the development period and net realizable value. Upon completion, the properties are transferred to completed properties held for sale.

As of December 31, 2018, the Group had properties under development of RMB63,588.0 million, representing an 55.8% increase from RMB40,802.8 million as of December 31, 2017. The increase was primarily due to an increase in the number of projects developed by the Group in 2018.

PROPERTY INVESTMENT

Rental Income

The Group's rental income for the year ended December 31, 2018 was approximately RMB104.8 million, representing a 46.9% increase from 2017. The increase was primarily due to rental price raised in Putian Fortune Center.

Investment Properties

As of December 31, 2018, the Group had 10 investment properties with a total GFA of approximately 738,410 sq.m. Out of such investment properties portfolio of the Group, 6 investment properties with a total GFA of approximately 463,713 sq.m. had commenced leasing.

LAND BANK

In 2018, the Group continued its nationwide expansion and entered into 13 new cities. It acquired a total of 57 new land parcels with a total site area of approximately 4.0 million sq.m. and an aggregate estimated GFA of approximately 11.1 million sq.m. The following table sets forth details of the Group's newly acquired land parcels during the year ended December 31, 2018.

Total contractual land premium for the newly acquired land parcels in 2018 was approximately RMB53,802.5 million. The average cost of land parcels acquired in 2018 was approximately RMB4,829 per sq.m.

PROPERTIES DEVELOPED BY THE GROUP AND ITS SUBSIDIARIES

City	Land Parcel/Project Name	Land Use	Site Area	Estimated Total GFA	Land Premium	Average Land Cost (Based on the Estimated Total GFA)
			sq.m.	*sq.m.*	*RMB million*	*RMB/sq.m.*
Yangtze River Delta Economic Region						
Jiaxing	Jiaxing Zhenro Country Garden Yue Mansion	Residential/retail	7,342	16,574	38	2,279
Nanjing	Nanjing Zhenro River Mansion	Residential/retail	32,622	113,874	1,520	13,348
Nanjing	Nanjing Zhenro South Riverside Peak	Residential/retail	26,829	109,991	1,140	10,364
Lu'an	Lu'an Country Garden Zhenro North Pheonix Mansion	Residential/retail	199,979	558,765	1,115	1,995
Middle China Economic Region						
Zhengzhou	Zhengzhou Chengnan Zhenro Mansion	Residential	163,330	668,925	900	1,345
Changsha	Changsha Zhenro Pinnacle	Residential/retail	20,275	216,671	768	3,544
Xiangyang	Xiangyang Changtou Zhenro Mansion	Residential/retail	68,554	271,743	850	3,129
West China Economic Region						
Chengdu	Chengdu Spring Rural Fields	Residential	24,639	7,190	41	5,757
Bohai Economic Rim						
Tianjin	Tianjin Heshan Garden Parcel 39	Residential	25,428	51,862	270	5,206
Tianjin	Tianjin Heshan Garden Parcel 38	Residential	38,606	75,613	423	5,594
Pearl River Delta Economic Rim						
Foshan	Foshan Jinmao Country Garden Zhenro Mansion	Residential/retail	109,246	366,055	3,004	8,207
Western Taiwan Straits Economic Zone						
Fuzhou	Fuqing No. 2018-02	Residential/retail	68,079	208,036	1,008	4,845
Fuzhou	Fuqing No. 2018-03	Residential/retail	64,728	198,796	900	4,527
Pingtan	Pingtan Lanwan Zhenro Mansion	Residential/retail	55,161	194,792	1,163	5,970
Ji'an	Ji'an Country Garden Zhenro Luling Mansion	Residential/retail	74,388	193,387	739	3,823
Ji'an	Ji'an Country Garden Zhenro Luling Mansion Phase 2	Residential/retail	78,938	193,236	776	4,014
Nanchang	Nanchang Yuelong Mansion	Residential/retail	36,587	102,938	376	3,652
Zhangzhou	Zhangzhou Xihu Zhenro Mansion	Residential/retail/ SOHO and office	59,573	156,817	1,548	9,871
Quanzhou	Quanzhou Zhenro Baojia Riverside Mansion	Residential/retail	59,486	187,198	500	2,671
Subtotal			1,213,790	3,892,463	17,079	4,387

PROPERTIES DEVELOPED BY THE GROUP'S JOINT VENTURES AND ASSOCIATED COMPANIES

City	Land Parcel/Project Name	Land Use	Site Area	Estimated Total GFA	Land Premium	Average Land Cost (Based on the Estimated Total GFA)	Attributable Interest
			sq.m.	*sq.m.*	*RMB million*	*RMB/ sq.m.*	
Yangtze River Delta Economic Region							
Jiaxing	Jiaxing Cifi Light Blooming Land	Residential/retail	58,321	148,409	875	5,895	25.0%
Jiaxing	Jiaxing Shimao Shining Times	Residential/retail	67,291	202,686	1,351	6,665	30.0%
Nanjing	Nanjing Long Yue	Residential	35,051	113,680	1,340	11,787	33.0%
Nanjing	Nanjing Zhaoshang Zhenro East Forwarding Mansion	Residential/retail	90,981	362,036	2,240	6,187	49.0%
Chuzhou	Chuzhou Hongyang Times Billow Courtyard	Residential/retail	89,886	203,407	466	2,291	30.0%
Xuzhou	Xuzhou Splendid Mountain Mansion Parcel 34	Residential/retail	60,584	113,040	347	3,067	33.0%
Xuzhou	Xuzhou Splendid Mountain Mansion Parcel 35	Residential/retail	86,948	157,192	572	3,641	33.0%
Xuzhou	Xuzhou Royal Palace	Residential/retail	45,352	129,596	929	7,168	27.0%
Xuzhou	Xuzhou Phoenix Tree Grand Mansion	Residential/retail	166,471	288,465	830	2,878	25.0%
Suzhou	Suzhou Shanghu Masterpiece Garden	Residential/retail	46,004	119,180	803	6,741	33.0%
Suzhou	Suzhou River City Fountainhead Garden	Residential/retail	69,982	122,187	399	3,269	13.0%
Suzhou	Suzhou Sea Times Garden	Residential/retail	69,206	186,396	590	3,163	14.5%
Suzhou	Suzhou Lake Yue Billow Courtyard	Residential/retail	59,235	158,869	366	2,305	16.3%
Suzhou	Suzhou Flavour Yue Four Seasons Garden	Residential/retail	56,479	123,795	361	2,914	20.0%
Suzhou	Suzhou Platinum Jade Mansion	Residential/retail	36,748	85,647	829	9,683	16.7%
Suzhou	Suzhou Girty Celebrity	Residential/retail	131,418	240,548	2,116	8,797	33.3%
Suzhou	Suzhou Cloudline Orchid Mansion	Residential/retail	59,065	173,310	1,177	6,793	33.0%
Suzhou	Suzhou Cloudside Waterfront	Residential	34,801	93,575	300	3,205	13.8%
Suzhou	Suzhou Asia Mansion	Residential	65,378	198,023	1,245	6,287	31.8%
Suzhou	Suzhou Double Jade Mansion	Residential	17,361	49,402	116	2,344	33.0%
Suzhou	Suzhou Lake Havens	Residential/retail/ SOHO and office	62,563	206,471	485	2,347	20.0%
Lu'an	Lu'an Country Garden Zhenro South Pheonix Mansion	Residential/retail	199,748	456,746	1,102	2,413	33.8%

City	Land Parcel/Project Name	Land Use	Site Area	Estimated Total GFA	Land Premium	Average Land Cost (Based on the Estimated Total GFA)	Attributable Interest
			sq.m.	*sq.m.*	*RMB million*	*RMB/ sq.m.*	
Middle China Economic Region							
Xuchang	Xuchang Sky Yue Mansion	Residential/retail	20,994	79,481	187	2,357	33.3%
Chongqing	Chongqing Central Jade Cloud	Residential	150,048	390,449	2,151	5,508	16.0%
Bohai Economic Rim							
Tianjin	Tianjin Heshan Garden Parcel 41	Residential	50,458	101,069	553	5,472	50.0%
Tianjin	Tianjin Jiuhe Mansion	Residential/retail	52,482	242,060	3,520	14,542	18.0%
Jinan	Jinan Jiu Long Mansion	Residential/retail	101,792	266,072	1,082	4,065	33.0%
Jinan	Jinan Pheonix First Mansion	Residential/retail	51,597	177,130	1,945	5,453	20%
Jinan	Jinan Tianchen Mansion	Residential/retail	51,614	179,559			
Jinan	Jinan Jinyue Mansion	Residential/retail	40,843	107,966	1,499	6,123	15%
Jinan	Jinan Park Academy	Residential/retail	46,541	136,843			
Jinan	Jinan Times Glory	Residential/retail	84,949	257,424	1,680	6,526	33%
Western Taiwan Straits Economic Zone							
Fuzhou	Fuzhou Country Garden Zhenro Yue Linglong	Residential/retail	77,113	158,846	889	5,597	20.0%
Fuzhou	Fuzhou Yango Poly Qixi Garden	Residential/retail	131,972	227,483	1,225	5,385	20.0%
Nanchang	Nanchang Cifi Zhenro Country Garden Cloud Over Mansion	Residential/retail	27,980	62,456	147	2,359	33.0%
Nanchang	Nanchang Zhenro Gemdale Jinmao Yue Prime	Residential/retail	65,914	122,342	546	4,463	30.9%
Ganzhou	Ganzhou Zhenro Country Garden Cloud Piedmont	Residential/retail	158,977	446,264	1,431	3,206	50.0%
Ji'an	Ji'an Zhenro YangoWen Lan Mansion	Residential/retail	82,468	235,221	763	3,245	50.0%
Yichun	Yichun Zhenro Jintou Yuanzhou Mansion	Residential/retail	55,227	126,239	266	2,107	35.0%
Sub-total			2,859,842	7,249,564	36,723	5,066	
Total			4,073,632	11,142,027	53,802	4,829	

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 32.3% from RMB19,995.1 million for the year ended December 31, 2017 to RMB26,453.1 million for the year ended December 31, 2018. Out of the Group's total recognized revenue in 2018, (i) sales of properties increased by approximately 31.7% to RMB26,179.3 million from 2017, (ii) property leasing increased by approximately 46.9% to RMB104.8 million from 2017, and (iii) provision of commercial property management services increased by approximately 45.8% to RMB56.6 million from 2017. The table below sets forth the Group's revenue for each of the components described above and the percentage of total revenue represented for the periods indicated.

	2018		**2017**		
					Year- over-
		% of Total		**% of Total**	**Year**
	Revenue	**Revenue**	**Revenue**	**Revenue**	**Change**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Sales of properties	26,179,344	99.0%	19,882,015	99.4	31.7%
Rental income	104,812	0.4%	71,354	0.4	46.9%
Property management income	56,610	0.2%	38,816	0.2	45.8%
Management service income [(1)]	112,340	0.4%	2,876	0.0	3806.2%
Total	26,453,106	100.0	19,995,061	100.0	32.3%

Note:

(1) Primarily includes revenue generated from provision of design consultation services to a joint venture and an associate.

Cost of Sales

The Group's cost of sales primarily represents the costs it incurs directly for the property development activities as well as its commercial property management and leasing operations. The principal components of cost of sales for property development include cost of properties sold, which represents direct construction costs, land use right costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

The Group's cost of sales increased by approximately 29.5% from RMB15,777.7 million for the year ended December 31, 2017 to RMB20,431.8 million for the year ended December 31, 2018, primarily attributable to the increase in the number of properties completed and delivered by the Group during the year ended December 31, 2018.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 42.8% from RMB4,217.4 million for the year ended December 31, 2017 to RMB6,021.3 million, for the year ended December 31, 2018.

Gross profit margin was 22.8% for the year ended December 31, 2018, increased from 21.1% for the year ended December 31, 2017, primarily due to the attributable to the increase in selling price of delivered properties.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, commercial compensation and others. Interest income primarily consists of interest income on bank deposits. Commercial compensation primarily represents forfeited deposits received from certain potential customers who did not subsequently entered into sales contracts with the Group and penalties received from certain customers due to their breach of sales or pre-sales contracts.

Other income and gains increased by approximately 164.3% from RMB154.2 million for the year ended December 31, 2017 to RMB407.6 million for the year ended December 31, 2018, primarily due to an increase in interest income on bank deposits mainly as a result of the increase in the total amount of bank deposits in 2018.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising, marketing and business development expenses, sales and marketing staff cost, office expenses, fees paid to our third-party sales agents, rental and other expenses relating to sales of our properties and property leasing services.

The Group's selling and distribution expenses increased by approximately 36.7% from RMB641.0 million for the year ended December 31, 2017 to RMB876.6 million for the year ended December 31, 2018, primarily due to (i) the strengthened selling and marketing efforts to promote newly-launched property projects in new cities and regions in which the Group operates as part of its business expansion; and (ii) the expansion of the Group's in-house sales and marketing team to support its business expansion in 2018.

Administrative Expenses

Administrative expenses primarily consist of management and administrative staff costs, entertainment expenses, office and meeting expenses, stamped duties and other taxes, rental costs, depreciation of property, plant and equipment, professional fees, travelling expenses, bank charges, listing expenses and other general office expenses and miscellaneous expenses.

The Group's administrative expenses increased by approximately 47.6% from RMB664.5 million for the year ended December 31, 2017 to RMB980.9 million for the year ended December 31, 2018, primarily due to the continuous increase in the number of property projects under development and planned for future development, which was in line with the Group's business expansion, resulting in increases in its management and administrative headcount, entertainment expenses, traveling expenses and other miscellaneous expenses.

Other Expenses

Other expenses increased by 9.9% from RMB40.9 million for the year ended December 31, 2017 to RMB44.9 million for the year ended December 31, 2018.

Fair Value Gains on Investment Properties

The Group develops and holds certain commercial properties on a long-term basis for rental income or capital appreciation. Fair value gains on investment properties decreased by approximately 59.1% from RMB353.8 million for the year ended December 31, 2017 to RMB144.6 million for the year ended December 31, 2018.

Finance Costs

Finance costs primarily consist of interest expenses for bank and other borrowings net of capitalized interest relating to properties under development.

The Group's finance costs decreased by approximately 30.8% from RMB551.5 million for the year ended December 31, 2017 to RMB381.5 million for the year ended December 31, 2018, primarily due to an increase in the level of capitalized interests in 2018.

Share of Losses of Joint Ventures and Associated Companies

The Group's share of losses of joint ventures was RMB59.5 million for the year ended December 31, 2018, decreased by 9.3% from RMB65.6 million for the year ended December 31, 2017, primarily due to the continuous improvement of the joint ventures' profitability.

The Group's share of losses of associated companies was RMB98.5 million for the year ended December 31, 2018, increased by 702.6% from RMB12.3 million for the year ended December 31, 2017, primarily due to an increase in the Group's relevant expenses resulting from the increased property projects held by its associated companies.

Income Tax Expenses

Income tax expenses represent corporate income tax and land appreciation tax ("**LAT**") payable by the Group's subsidiaries in the PRC.

The Group's income tax expenses increased by approximately 54.3% from RMB1,228.2 million for the year ended December 31, 2017 to RMB1,894.9 million for the year ended December 31, 2018, primarily due to an increase in the Group's profit before tax. The effective corporate income tax rate was 27.5% for the year ended December 31, 2018, compared with 28.9% for the year ended December 31, 2017.

Profit for the Year

As a result of the foregoing, the Group's profit for the year increased by approximately 46.7% from RMB1,521.4 million for the year ended December 31, 2017 to RMB2,232.5 million, for the year ended December 31, 2018.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with proceeds from the IPO, proceeds from pre-sale and sale of properties, loans from commercial banks, proceeds from corporate debts or other securities offerings, and capital injections from shareholders. The Group's need for short-term liquid capital is mainly associated with loan repayments and capital needs for operation, and the Group's short-term liquid capital comes from cash balance, proceeds from pre-sale and sale of properties and new bank loans. The Group's need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of long-term loan.

Cash Positions

As of December 31, 2018, the Group had cash and bank balances of approximately RMB22,539.0 million (December 31, 2017: RMB14,539.5 million), pledged deposits of approximately RMB963.6 million (December 31, 2017: RMB1,195.3 million) and restricted cash of approximately RMB4,866.0 million (December 31, 2017: RMB3,931.5 million)

Indebtedness

As of December 31, 2018, the Group has total outstanding bank and other borrowings of RMB38,170.6 million, compared with RMB40,061.2 million as of December 31, 2017. As of December 31, 2018, the Group also had onshore corporate bond and senior notes with carrying amounts of approximately RMB8,321.0 million, compared with RMB2,002.4 million as of December 31, 2017. The Group's borrowings are mainly denominated in Renminbi and US dollars.

All of the Group's secured borrowings were secured by its asset portfolio which includes investment properties, prepaid land lease payments, properties under development, completed properties held for sale, and restricted cash.

The following table sets forth the Group's total borrowings as of the dates indicated.

	As of December 31,	
	2018	**2017**
	RMB'000	*RMB'000*
Current borrowings:		
Bank borrowings — secured	80,000	250,000
Bank borrowings — unsecured	—	230,000
Other borrowings — secured	5,292,063	4,106,572
Other borrowings — unsecured	15,900	688,416
Plus: current portion of non-current borrowings		
Bank borrowings — secured	8,379,839	7,032,732
Bank borrowings — unsecured	832,643	33,400
Other borrowings — secured	5,185,600	7,660,637
Other borrowings — unsecured	1,843,165	980,000
Senior notes and corporate bonds	2,209,986	2,002,359
Total current borrowings	23,839,196	22,984,116
Non-current borrowings:		
Bank borrowings — secured	11,655,746	7,722,609
Bank borrowings — unsecured	583,896	1,705,859
Other borrowings — secured	4,066,849	9,531,953
Other borrowings — unsecured	234,888	119,000
Senior notes and corporate bonds	6,111,026	—
Total non-current borrowings	22,652,405	19,079,421
Total	46,491,601	42,063,537

The following table sets forth the maturity profiles of the Group's total borrowings as of the dates indicated.

	As of December 31,	
	2018	**2017**
	RMB'000	*RMB'000*
Repayable within one year	23,839,196	22,984,116
Repayable in the second year	13,309,982	13,585,642
Repayable within two to five years	8,809,949	5,493,779
Repayable more than five years	532,474	—
Sub-total	22,652,405	19,079,421
Total	46,491,601	42,063,537

Additionally, as of December 31, 2018, the Group issued varieties of corporate bond and unsecured senior notes. Please refer to "Bond Offerings" below for more details.

Borrowing Costs

The Group's weighted average effective interest rates on bank and other borrowings were 7.8% for the year ended December 31, 2018, compared with 7.3% for the year ended December 31, 2017. The increase was primarily due to an increase in the overall market interest rate.

FINANCIAL RISKS

The Group is not subject to significant credit risk and liquidity risk.

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pays to shareholders outside of the PRC. The Group had cash at banks denominated in foreign currencies, which exposed the Group to foreign exchange risk. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

KEY FINANCIAL RATIOS

The Group's current ratio was 1.4 as of December 31, 2018; increased from 1.3 as of December 31, 2017, primarily due to the increase of current assets.

The Group's net gearing ratio decreased from 183.2% as of December 31, 2017 to 74.0% as of December 31, 2018, primarily due to the Group's continuous efforts to manage its financial leverage to achieve sustainable growth.

CONTINGENT LIABILITIES

Mortgage Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If it fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds.

As of December 31, 2018, the material contingent liabilities incurred for the Group's provision of guarantees to financial institutions in respect of the mortgage loans they provided to the Group's customers were approximately RMB32,850.0 million, compared with RMB21,961.4 million as of December 31, 2017.

The Directors confirm that the Group has not encountered defaults by purchasers in which it provided mortgage guarantees that, in aggregate, had a material adverse effect on our financial condition and results of operations.

Legal Contingents

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group believes that no liabilities resulting from these proceedings will have a material and adverse effect on our business, financial condition or operating results.

Commitments

As of December 31, 2018, the Group's property development expenditures it had contracted but yet provided for was RMB13,396.1 million, compared with RMB9,168.6 million as of December 31, 2017.

As of December 31, 2018, the Group's operating lease expenditures was RMB113.9 million, compared with RMB89.6 million as of December 31, 2017.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of December 31, 2018, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

As of the date of this announcement, net proceeds not utilized are held in bank deposits and it is intended that they will be applied in the manner consistent with the proposed allocations in the prospectus.

BOND OFFERINGS

The Group continuously looks for financing opportunities to support its business development. These opportunities include the raising of funds through asset-backed securities programs, corporate bonds and other debt offerings.

In April 2018, the Group issued the asset-backed securities through a private placement in an aggregate proposed principal amount of approximately RMB2,421.0 million. The securities was issued in two tranches. The first tranche being the senior tranche of the securities with an issue amount of RMB2,300.0 million has a three-year tenure and a coupon rate of 7.3%. The second tranche being the subordinated tranche of the securities with an issue amount of RMB121.0 million has a three-year tenure and has no fixed coupon rate and the maturity date is April 2021.

In May 2018, the Group issued a one-year senior notes of US$160.0 million through a private placement, with an annual interest rate of 8.5% and maturity date of May 2019. The entire outstanding principal amount of these notes were repurchased by the Group in February 2019. For details, please refer to "Subsequent Events" in this announcement.

In June 2018, the Group issued senior notes of US$250.0 million through public offering. The notes will bear interest at a rate of 10.5% per annum due June 2020.

In Oct 2018, the Group issued a 27-months senior notes of US$280.0 million through public offering, with an annual interest rate of 12.5% and maturity date of Jan 2021.

In addition, in Oct 2018, the Group issued senior notes of US$70.0 million through public offering. The notes will bear interest at a rate of 12.5% per annum due Jan 2021.

In November 2018, the Group issued the asset-backed securities in an aggregate proposed principal amount of approximately RMB1,084.0 million. The securities was issued in two tranches. The first tranche being the senior tranche of the securities with an issue amount of RMB1,029.0 million has a two-year tenure and a coupon rate of 7.2%. The second tranche being the subordinated tranche of the securities with an issue amount of RMB55.0 million has a two-year tenure and has no fixed coupon rate and the maturity date is November 2020.

The Group intends to use the proceeds from these bond offerings to repay external borrowings and may also consider other debt offering plans in the near future.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended December 31, 2018.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended December 31, 2018, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently has no plan to make any significant investment or acquisition of capital assets but will continue to seek potential investment or acquisition opportunities according to the Group's development needs.

EMPLOYEES

As of December 31, 2018, the Group had a total of 2,167 employees. The Group offers employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. It contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

SUBSEQUENT EVENTS

The Group has the following material subsequent events:

In January 2019, the Group issued senior notes of US$200.0 million through public offering, with an annual interest rate of 8.6% and maturity date of January 13, 2020.

In January 2019, the Group issued additional senior notes of US$150.0 million through public offering. The additional senior notes will bear interest at a rate of 10.5% per annum due on June 28, 2020 and will be consolidated and form a single series with the 10.5% senior notes due 2020 in the aggregate principal amount of US$250.0 million issued on June 28, 2018.

In February 2019, the Group issued senior notes of US$230.0 million through public offering. The notes will bear interest at a rate of 9.8% per annum due August 20, 2021.

In February 2019, the Group repurchased the entire outstanding principal amount of the 8.5% senior notes due 2019 issued in 2018 (the "Notes"). After completion of the repurchase of the Notes, the Notes will be cancelled.

In March 2019, the Group issued senior notes of US$200.0 million through public offering. The notes will bear interest at a rate of 9.15% per annum due March 8, 2022.

The Group intends to use the proceeds from these bond offerings for refinancing its existing indebtedness and may also consider other debt offering plans in the near future.

Other than the abovementioned matters, no material events were undertaken by the Group subsequent to December 31, 2018 and up to the date of this announcement.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Group completed its IPO and was successfully listed on the Main Board of the Stock Exchange on January 16, 2018. Net proceeds from the IPO (including the exercise of the over-allotment options), after deducting the underwriting commission and other estimated expenses in connection with the Offering which the Company received amounted to approximately HK$4,392.3 million.

During the year of 2018, in a manner consistent with the proposed allocations in the prospectus, the Group utilized the proceeds from IPO, of which approximately RMB902.1 million was used to repay borrowings falling due and approximately RMB753.8 million was allocated to project companies as general working capital. Among the remaining proceeds used for construction and development of property projects, RMB573.1 million was paid, while the remaining will be paid year by year according to the progress of construction in the following years.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Save for the Company's initial public offering as described in the Company's prospectus dated December 28, 2017 and the additional 123,000,000 shares allotted through partial exercise of the Over-allotment Option on February 2, 2018, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended December 31, 2018.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.15 per share (equivalent to RMB0.13 per share), amounting to approximately a total of HK$618.45 million (or approximately RMB527.66 million) for the year ended December 31, 2018 (the "2018 Proposed Final Dividend"), representing approximately 23.6% of our net profit for the year ended December 31, 2018. The 2018 Proposed Final Dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "**AGM**") to be held on May 24, 2019. The 2018 Proposed Final Dividend will be declared and paid in Hong Kong dollars.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on Friday, May 24, 2019. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course. For the purpose of determination of eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, May 21, 2019 to Friday, May 24, 2019 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the forthcoming AGM to be held on Friday, May 24, 2019, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Monday, May 20, 2019.

Subject to the approval of the 2018 Proposed Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from Thursday, May 30, 2019 to Monday, June 3, 2019 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the 2018 Proposed Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Wednesday, May 29, 2019. The 2018 Proposed Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on or about Wednesday, July 10, 2019 to those shareholders whose name appear on the register of member of the Company on Monday, June 3, 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the corporate governance code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance. The shares of the Company were not listed on the Stock Exchange until January 16, 2018 (the "Listing Date"). The Company has complied with the Corporate Governance Code during the period from the Listing Date to December 31, 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the period from the Listing Date to December 31, 2018.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Loke Yu, and Mr. Wang Chuanxu, two of our independent non-executive Directors, and Mr. Ou Guowei. Mr. Loke Yu is the chairman of the Audit Committee, and is our independent non-executive Director processing the appropriate professional qualifications.

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

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

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.zhenrodc.com). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Zhenro Properties Group Limited
HUANG Xianzhi
Chairman

Hong Kong, March 24, 2019

As at the date of this announcement, the executive directors of the Company are Mr. Huang Xianzhi, Mr. Wang Benlong and Mr. Chan Wai Kin, the non-executive directors of the Company are Mr. Ou Guoqiang and Mr. Ou Guowei, and the independent non-executive directors of the Company are Dr. Loke Yu (alias Loke Hoi Lam), Mr. Shen Guoquan and Mr. Wang Chuanxu.