新明中国控股
XINMING CHINA

XINMING CHINA HOLDINGS LIMITED
新明中國控股有限公司

(Incorporated in the Cayman island with limited liability)

Stock code：2699

ANNUAL REPORT 2017

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Chengshou
(Chairman and Chief Executive Officer)
Mr. Feng Cizhao
Mr. Wong Thian Tsu Michael

Non-Executive Director

Ms. Gao Qiaoqin

Independent Non-Executive Directors

Mr. Gu Jiong
Mr. Lo Wa Kei, Roy
Mr. Fong Wo, Felix

AUDIT COMMITTEE

Mr. Lo Wa Kei, Roy *(Chairman)*
Mr. Gu Jiong
Mr. Fong Wo, Felix

REMUNERATION COMMITTEE

Mr. Gu Jiong *(Chairman)*
Mr. Fong Wo, Felix
Mr. Lo Wa Kei, Roy

NOMINATION COMMITTEE

Mr. Chen Chengshou *(Chairman)*
Mr. Gu Jiong
Mr. Fong Wo, Felix

AUTHORIZED REPRESENTATIVES

Mr. Chen Chengshou
Mr. Kam Chun Ying Francis

COMPANY SECRETARY

Mr. Kam Chun Ying Francis

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS IN THE PRC

Block I, 5th Floor
Hengli Building
No. 5 Huang Long Road, Hangzhou
Zhejiang Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 10, 26 th Floor
Seapower Tower
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Kowloon, Hong Kong

COMPANY'S WEBSITE ADDRESS

http://www.xinm.com.cn

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre, 183
Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Ping An Bank, Hangzhou Huanglong Branch
Hangzhou United Bank, Kangqiao Branch
Hangzhou Bank, Guanxiangkou Branch
Industrial and Commercial Bank of China, Dazu Branch
Wenzhou Bank, Hangzhou branch

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY

Li & Partners (as to Hong Kong Laws)
Jingtian & Gongcheng (as to PRC Laws)

LISTING INFORMATION

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 02699)

CHAIRMAN'S STATEMENT

To all the shareholders,

I hereby announce the annual results of the Xinming China Holdings Company (the "Company" or "Xinming China"), for the year ended 31 December 2017 (the "Year under Review"), on behalf of the board (the "Board") of directors (the "Director") of the Company.

During the Year under Review, total revenue of the Company (together with its subsidiaries the "Group") amounted to approximately RMB1,888.2 million, representing a significant increase of approximately 193.8% from approximately RMB642.7 million for the corresponding period of last year. The profit attributable to the shareholders of the Company amounted to approximately RMB242.3 million, representing a significant increase of approximately 22.8 times from the attributable profit of approximately RMB10.2 million for the corresponding period of last year.

During the Year under Review, earnings per share were approximately RMB0.13 (31 December 2016: earnings per share amounted to approximately RMB0.01). As at 31 December 2017, the total assets of the Group amounted to approximately RMB6,753.6 million (31 December 2016: approximately RMB7,887.2 million); total liabilities were approximately RMB4,671.6 million (31 December 2016: approximately RMB5,946.7 million); total equity was approximately RMB2,082.0 million (31 December 2016: approximately RMB1,940.5 million); and net assets value per share were approximately RMB1.11 (31 December 2016: approximately RMB1.03).

CHAIRMAN'S STATEMENT

In 2017, Chinese economy has shifted from a rapid growth stage to a high-quality development stage, emphasizing the quality rather than the quantity of economic growth. The GDP has recorded a growth of 6.9% over the corresponding period of last year. The economic operation was maintained within a reasonable range, a stable and rising trend has becoming increasingly apparent. Compared to the robust economic development trend, the real estate market showed uncertain direction of development. The central government insisted in the residential nature in positioning real estate development while the local governments continuously introduced different policies in different cities, and implemented policies in controlling housing price, preventing market bubbles and destocking at the same time. Under the most stringent control policies, the growth of real estate loan continued to decline in 2017. However, the house prices and demand for purchases still remained at a certain level as a result of the monetization compensation policy .

As the Chinese central government emphasizes the residential nature and the market's rigid demand for quality housing, Xinming China actively adjusted its operating strategy and shifted its focus from commercial real estate to more of residential development direction in the Year under Review, enabling the Group's revenue base for the future continued to grow steadily, However, the key note of development still maintains as the child-centric real estate.

In 2017, the Group recorded sales of properties of RMB1,834.7 million, representing an increase of approximately 209.3% as compared to the same period of last year, which was mainly attributed to the facts that the construction and the property transfer and delivery procedures of Hangzhou Xinming • Children's World project ("Hangzhou Xinming") completed before December 2017. The project has been recognized as revenue from the sales of properties in accordance with the relevant accounting standards and the Group's sales amounted to approximately RMB1,762.8 million; however, the decrease of approximately 95.8% in the delivered Gross Floor Area ("GFA") of Shanghai Xinming • Children's City project, a commercial project, over the corresponding period of last year as a result of the static effect

of the investment atmosphere on the commercial property market arising from the consultation work of the profit/loss protection for property purchasers launched by Shanghai government targeting property developers since January of this year. Therefore, during the Year under Review, the Group delivered GFA of approximately 101,824.5 sq.m., representing a significant increase of approximately 195.3% as compared to the corresponding period of last year. During the Year under Review, the average selling price as a whole increase by approximately 4.7% as compared to the corresponding period of last year. After the unequivocal regulation of Shanghai's property management policy in 2018, the atmosphere of investment in commercial properties and the sales in commercial properties in Shanghai Xinming • Children's City project are expected to return to normal. As at 31 December 2017, the property portfolio of the Group comprised 16 property development projects in various cities in the PRC. These projects are under various stages of development, with an aggregate GFA of approximately 1,143,268 sq.m., of which, approximately 540,968 sq.m. of the GFA was completed, approximately 201,180 sq.m. of the GFA was under development and approximately 401,120 sq.m. of the GFA was held for future development.

CHAIRMAN'S STATEMENT

PROSPECTS

The traditional property industry is expected to face mounting challenges and central government's real estate regulatory policy in the first and second tier cities will remain harsh. Meanwhile, with the end of destocking cycle in the third, fourth and fifth tier cities, the market is supposed to be in quandary. However, market shifts are often accompanied by new opportunities as quality properties in quality cities remain scarce. As a result, Xinming China will continue to focus on quality property development projects, with emphasis on both residential and commercial. The Group won its first award of "2017 China Outstanding Representative Project in Child Centric Real Estate", which endorsed its excellence in deepening child-centric real estate and its effort to provide comprehensive products and services for MBC market. Apart from off-line projects, the Group will also actively develop an online platform, promote a comprehensive network platform with a MBC theme, which enables mutual interaction between online and offline operations and enhances customer loyalty, so as to maximize the marketing return of investment. My Babini has gradually grown and pursued the path of themed property operations, creating greater business value-added potential and room for development.

The planning and layout design for the My Babini project in Shanghai ("Shanghai project") has been completed. The theme is "Love". The core facilities are "play world", "good life", "creative space" and "culture and food". It is expected to be officially opened in the second half of 2018.

Fueled by the sales of Shanghai Xinming • Children's City and Hangzhou Xinming • Children's World , the Group expects that the sales of properties business in 2018 will be in a steady state. The Company has been searching for high quality products globally with initiative, aimed at providing a broad range of high quality products and services for MBC under the My Babini brand and adopting the "Internet+" business model. In June 2017, The Group signed an agreement to acquire 14.29% equity interest and subsequently increased its capital to acquire 15% equity interest of Shanghai Family Partner Information Technology Company Limited (上海伴家信息技術有限公司), who owns"Zmwoo (芝媽屋)" (site name), a high-end domestic MBC online life platform. This move aims to realize the online-offline co-operation mode, developing the My Babini project into a cradle of MBC business. With Xinming • China South-western City and Xingmeng International Commercial City applying for government land planning to change to quality developed residential use, we believe that the Group will be able to maintain steady economic growth and also make further improvement.

CHAIRMAN'S STATEMENT

DEVELOPMENT STRATEGIES

In 2018, Xinming China will simultaneously develop both commercial real estate and residential real estate. After the successful deployment in 2017, The My Babini project in Shanghai and Hangzhou has been actively pushing forward. A MBC themed collection store, pioneered by Xinming China, is expected to debut at the My Babini project in Shanghai. Xinming China has been searching for high quality products globally, aimed at providing a broad range of high quality products and services for MBC under the My Babini brand. In addition, the themed collection store will adopt the "Internet+" business model, so as to realize the online-offline co-operation mode, developing the My Babini project into a cradle of MBC business.

Going forward, the Group will focus on the development of commercial complexes targeted at addressing the consumption needs of the MBC, and will implement various measures to further control costs and enhance efficiency. The Group will continue to seize opportunities as they arise due to favourable government policies, while seeking to actively expand new land investment projects with promising growth potential in a greater diversity of regions. The Group will continue to expand the My Babini brand to China's fast-growing first and second tier cities.

STRENGTHEN INTERNAL MANAGEMENT AND PREVENTING RISKS

The Group will closely monitor market developments, exercise strict risk control so as to ensure the sustainable and healthy development of the corporate governance of the Company.

FOCUS ON PERSONNEL TRAINING, INNOVATION AND HUMAN RESOURCES MANAGEMENT

The Group will gradually optimize the training of innovative work step by step, also optimize staff from headquarters through a variety of ways of learning, training and practicing, and actively introduce high-level international talent; progressively realize the Company's overseas personnel building and training, improve the performance appraisal system for the responsible person of subsidiary enterprises of the Group.

CHAIRMAN'S STATEMENT

SUMMARY

Looking forward to 2018, it is expected that China's economic operation become stable and its economic growth has shifted from rapid growth to steady development. The effect of the central government's regulatory policies on real estate development will be fully revealed in 2018. With the end of destocking cycle in the fourth and fifth tier cities, the market is supposed to be in quandary. As domestic residents in China are starting to have rigid demand for quality houses instead of pursuing merely the quantity in the past, the Group will continue to develop child-centric real estate. Revitalizing assets and destocking will be the key note during 2018.

I would like to take this opportunity to express my heartfelt gratitude to the Board; and on behalf of the Board, extend thanks to our management and all staff members for their continuous efforts. I would also like to thank our shareholders for their support and trust placed in us.

Xinming China Holdings Limited
Chairman and Chief Executive Officer
Chen Chengshou

Hangzhou, China
29 March, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW AND OPERATION MANAGEMENT

China's economic operation maintained in a reasonable range in 2017, GDP growth reached 6.9% on a year-on-year basis. With regard to the Chinese real estate market, data published by the National Bureau of Statistics shows that in 2017, nationwide house sales increased approximately 13.7% year-on-year to approximately RMB13.37 trillion. The floor area sold rose approximately 7.7% year-on-year to approximately 1,694 million sq.m.. The figures slowed down sharply with compared to the corresponding period of last year.

With the deepening reform of the economic structure pushing by the central government, the first-tier cities and second-tier core cities were subject to the limited purchase policies. Controlling housing price, prevention of market bubbles and destocking were done together. Various indicators dropped. However, due to the policies such as monetization compensation, the price of the overall real estate market as a whole still kept rising. During the Year under Review, the overall inventory of real estate dropped significantly. In the first-tier cities and second-tier cities were destocking faster than before which has achieved remarkable results. In the third-tier cities and fourth-tier cities were still many inventories but the situation might have improved slightly better than market expectations.

In 2017, the number of first-child in China was 7.24 million, a decrease of 2.49 million than that in 2016. At the same time, as the number of first-child dropped, the number of second-child has increased significantly. The number of second-child in 2017 increased by 1.62 million than that in 2016. Thus, a significant increase of the number of second-child in the large extent alleviated the impact of the reduction in the number of first-child. The effect of the second child policy was obviously conducive to the improvement of the structure of the population age and it promoted the balanced development of the population. Xinming China believed that young families continued to increase their childcare expenses, purchasing power and repurchase rates were still substantial. Xinming China with a keen business sense and forward-looking strategic vision continued to innovate and develop children's real estate market. Apart from offline project, Xinming China continued online platform development, and built up a "maternity, baby & children" theme. Integrated network platform and the implementation of online and offline two-way interaction enhanced customer loyalty, so as to maximize the investment return.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group ceased to carry on property management business following the completion of disposal of Zhejiang Xinming Property Services Limited* ("浙江新明物業服務有限公司") ("Xinming Property") on 19 July 2017. As a result, the operation results of property management business have been classified as discontinued operation during the year and the financial figures in 2016 have been represented accordingly.

During the year ended 31 December 2017 (the "Year under Review"), the Group recorded a total revenue of approximately RMB1,888.2 million, representing a significant increase of approximately RMB1,245.5 million or 193.8% from approximately RMB642.7 million of 2016. The delivered sales and gross floor area sold were approximately RMB1,834.7 million and 101,824.5 sq.m., representing an increase in approximately RMB1,241.6 million or approximately 209.3% and an increase of approximately 67,345.8 sq.m. compared to approximately RMB593.1 million and approximately 34,478.7 sq.m., respectively of 2016. The average selling price for sales was RMB18,018.7 per sq.m., representing an increase of 4.7% year-on-year, which was mainly due to the completed construction and the completion of property transfer and delivery procedures of Hangzhou Xinming • Children's World project before December 2017.

Profit attributable to the shareholders of the Company amounted to approximately RMB242.3 million, representing a significant increase of approximately 22.8 times from a profit of approximately RMB10.2 million in 2016. Earnings per share were approximately RMB0.13.

The Board did not recommend the payment of final dividend for the year ended 31 December 2017.

As at 31 December 2017, total assets of the Group amounted to approximately RMB6,753.6 million (31 December 2016: approximately RMB7,887.2 million); total liabilities were approximately RMB4,671.6 million (31 December 2016: approximately RMB5,946.7 million); total equity was approximately RMB2,082.0 million (31 December 2016: approximately RMB1,940.5 million); and net assets per share were approximately RMB1.11 (31 December 2016: approximately RMB1.03).

Property Development

During the Year under Review, the two property projects assets of the Group comprising Xinming international logistics center and the commercial building project at No. 8, North Section, Taizhou boulevard, Jiaojiang District, Taizhou, have all been sold and delivered to the buyers.

As at 31 December 2017, the Group's property portfolio had 16 property development projects with an aggregate GFA of approximately 2,164,451 sq.m. under various stages of development in various cities in the PRC.

The summary of the portfolio of our property development projects as at 31 December 2017 is as follows:

			COMPLETED					UNDER DEVELOPMENT			FUTURE DEVELOPMENT			
Project	Location	Existing use	Site area	GFA Completed[7]	Saleable GFA[8]	Non-saleable GFA	Saleable GFA in remaining unsold	GFA under development[7]	Saleable GFA[8]	Saleable GFA pre-sold	Planned GFA[7]	Estimated date of completion	Estimated stage of completion	Equity attributable to the Group
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)			(%)
Completed														
Taizhou Xinming Peninsular			205,807	463,509	394,552	68,957	3,740	–	–	–	–	–	–	
Phase 1	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercial	86,667	189,387	157,005	32,382	3,483	–	–	–	–	–	–	100%
Phase 2 – Stage 1	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercial	66,600	121,498	111,723	9,775	144	–	–	–	–	–	–	100%
Phase 2 – Stage 2	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercial	52,540	152,624	125,824	26,800	113	–	–	–	–	–	–	100%
Xinming International Household Products Mall and Exhibition Center	No. 8, North Section, Taizhou boulevard, Jiaojiang District; No. 27 Building, No. 8, North Section, Taizhou boulevard, Jiaojiang District, Taizhou City	Commercial	131,768	207,908	100,151	107,757	2,957	–	–	–	–	–	–	100%
Xinming Lijiang Garden	Xinming Lijiang Garden, No. 8, North Section, Taizhou Boulevard, Jiaojiang District, Taizhou City	Residential, Commercial	63,431	210,988	177,466	33,522	5,279	–	–	–	–	–	–	100%
Wenshang Times • Red Star Macalline Household Products Market	No. 1990, East Ring boulevard, Jiaojiang District, Taizhou City	Commercial	11,000	67,239	–	67,239	–	–	–	–	–	–	–	100%
Wenshang Times • Xinming Household Decorations and Fittings City	No. 1990, East Ring Boulevard, Jiaojiang District, Taizhou City (Xinming Household Decorations and Fittings City)	Commercial	44,871	67,251	44,415	22,836	22,734	–	–	–	–	–	–	100%
Wenshang Times • Xinming Apartment	No. 1990-1, East Ring boulevard, Jiaojiang District, Taizhou City	Residential	10,263	39,941	35,605	4,336	1,227	–	–	–	–	–	–	100%
Shandong Xingmeng International Commercial City	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	37,814	62,664	60,288	2,376	56,368	–	–	–	–	–	–	75%
Shanghai Xinming • Children's World	No. 699, Liuxiang Road, Nanxiang Town, Jiading District, Shanghai Municipality	Commercial	39,720	186,261	93,216	48,725	52,249	–	–	–	–	–	–	79%
Hangzhou Xinming • Children's World	No.698, Xiaohe Road, Gongshu District, Hangzhou	Commercial	30,499	147,754	147,754	–	51,534	–	–	–	–	–	–	100%

MANAGEMENT DISCUSSION AND ANALYSIS

			COMPLETED					UNDER DEVELOPMENT			FUTURE DEVELOPMENT			
Project	Location	Existing use	Site area	GFA Completed[7]	Saleable GFA[8]	Non-saleable GFA	Saleable GFA in remaining unsold	GFA under development[7]	Saleable GFA[8]	Saleable GFA pre-sold	Planned GFA[7]	Estimated date of completion	Estimated stage of completion	Equity attributable to the Group
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)			(%)
Under Development														
China South-western City Phase 1	Distribution Center, China South – western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Commercial	175,531	108,636	105,966	2,670	55,983	171,551	64,743	31,902	–	2018.06	100%	95%
Shandong Xingmeng International Commercial City	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	23,200	–	–	–	–	29,629	26,176	5,957	–	2018.06	100%	75%
Future Development														
Shandong Xingmeng International Commercial City	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	82,912	–	–	–	–	–	–	–	179,944	2018.06	90%	75%
China South-western City Phase 2	Distribution Center, China South – western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Commercial	73,582	–	–	–	–	–	–	–	110,373	2019.05	80%	95%
China South-western City Phase 3	Distribution Center, China South – western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Residential	44,321	–	–	–	–	–	–	–	110,803	2020.12	–	95%
total			**974,719**	**1,562,151**	**1,159,412**	**358,419**	**251,981**	**201,180**	**90,919**	**37,858**	**401,120**			

Note:

No. 3 and No. 6 Buildings of Chongqing Xinming China South-western City Phase 1 have been completed.

Property Sales

During the Year under Review, the Group recorded property sales of approximately RMB1,834.7 million, representing a significant increase of approximately 209.3% as compared to approximately RMB593.1 million of 2016. Total GFA delivered during the Year under Review was approximately 101,824.5 sq.m., representing a significant increase of approximately 195.3% as compared to 2016, which was mainly Hangzhou Xinming • Children's World. The average selling price of property was approximately RMB18,018.7 per sq.m., representing a slight increase in average price of approximately 4.7% compared to that of last year, which was mainly due to the respectively higher average selling price of Hangzhou Xinming Children's World and representing approximately 96.1% of the total sales amounts of the Group. Property sales remained the largest revenue source to the Group, representing approximately 97.2% of its total revenue. Property sales increased during the Year under Review, mainly due to the completed construction and the completion of property transfer and delivery procedures of Hangzhou Xinming • Children's World project before December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table summarizes the property projects of the Group sold during the Year under Review:

Projects	Location	Sale GFA (sq.m.)	Income (RMB million)	Average selling price (RMB/sq.m)
Taizhou Xinming Peninsular				
Phase 1	Taizhou	891.00	3.89	4,360.5
Phase 2 — Stage 2	Taizhou	161.78	0.46	2,866.5
Xinming Lijiang Garden	Taizhou	2,516.70	13.79	5,481.1
Wenshang Times • Xinming Apartment	Taizhou	268.80	8.04	29,894.2
Shanghai Xinming Children's World	Shanghai	1,089.17	40.80	37,457.0
Hangzhou Xinming • Children's World	Hangzhou	96,219.65	1,762.79	18,320.4
Xingmeng International Commercial City	Tengzhou	556.20	4.11	7,395.5
Chongqing Xinming • China South-western City Phase 1	Chongqing	121.20	0.86	7,128.6
Total		101,824.50	1,834.74	18,018.7

Property Leasing

The Group carries out property leasing business through leasing our commercial properties held for investment and leasing the sold commercial properties leased back from third parties by the Group. As at 31 December 2017, the actual area leased out was approximately 142,698 square meters, representing approximately 72% of the Group's total investment properties held-for-lease and the sold commercial properties acquired by leasing back from third parties.

During the Year under Review, the rental income was approximately RMB53.5 million, representing an increase of approximately 7.9% as compared to RMB49.6 million in 2016, mainly because the lease period of Chongqing Xinming EasyHome project started from September in 2016, while the lease period in 2017 was for a term of an entire year.

Discontinued Operation

The Group provides property management services to the owners of residential properties developed by the Group through Xinming Property until the owners of such development projects are allowed by law to select their own property management companies.

The Company announced on 20 July 2017 that it would sell 100% equity of Xinming Property to Hangzhou Lanlv Investment Advisory Company Limited (as an independent third party) at a nominal value of RMB1. For details, please refer to the relevant announcement published on the website of the Stock Exchange on 21 July 2017. The principal activities of the Group, after disposal of Xinming Property, consist of property development, property sales and property leasing. Details of the results of the discontinued business from 1 January 2017 to 26 July 2017 are set out in the note 11 to the financial statements.

Land Reserves

As at 31 December 2017, the Group's property portfolio included 16 property development projects located in a number of cities throughout China. These projects was at different stages of development, but total GFA amounted to approximately 1,143,268 square meters, of which approximately 540,968 square meters was completed, approximately 201,180 square meters was under development, and approximately 401,120 square meters was held for future development.

The following table summarizes the Group's land reserve by geographical location as at 31 December 2017:

Location	Saleable GFA remaining unsold/ GFA held for investment (sq.m.)	GFA under development (sq.m.)	Planned GFA for future development (sq.m.)	Total land reserve (sq.m.)	Proportion to the total land reserve (%)
Taizhou	204,340	–	–	204,340	17.9%
Shanghai	100,974	–	–	100,974	8.8%
Chongqing	127,752	171,551	221,176	520,479	45.5%
Tengzhou	56,368	29,629	179,944	265,941	23.3%
Hangzhou	51,534	–	–	51,534	4.5%
Total	540,968	201,180	401,120	1,143,268	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking forward to 2018, keeping the economic operation at a reasonable range is the key note of China's economy. It is expected that China's economic operation will stabilize and persevere in the supply-side structural reform. Effort is put into the economic structure optimization and the promotion to the continuation of the conversion of old and new power.

In 2018, it is expected that due to the short-term control policies, the housing demand in first-tier cities and some second-tier cities will be effectively contained and the market prices stabilized. Third-tier cities market transactions are more active. The key note of real estate market regulation will continue. There are still many uncertainties in the macroeconomic environment. The real estate market is still in the downward cycle. There are many factors which affect the development of the domestic real estate market trends. At the same time, the central government emphasizes the properties of housing and the market demand for boutique housing. Xinming China actively adjusts business strategy. The development focus of the year will shift from commercial real estate to more other types of residential housing. The Group's revenue base will grow steady in the future. The direction of development is still to maintain the tone of the field of children's real estate.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from property sales and property leasing services, which contributed approximately 97.2% and 2.8%, respectively, to the revenue of 2017. The Group's revenue increased by approximately RMB1,245.5 million, or approximately 193.8%, to approximately RMB1,888.2 million for 2017 from approximately RMB642.7 million for 2016. Property sales remained the major revenue source of the Group. Property sales increased mainly due to the completion of construction and the property transfers delivery procedures of Hangzhou Xinming • Children's World project before the end of December 2017.

Cost of sales

The Group's cost of sales increased by RMB873.5 million, or 296.3%, to RMB1,168.3 million for 2017 from RMB294.8 million for 2016. The increase was primarily attributable to the increase in the total GFA of properties delivered during the Year under Review as compared with last year, which led to the respective increase in the cost of sales.

Gross profit

During the Year under Review, the gross profit amounted to approximately RMB719.9 million, representing an increase of approximately RMB372.1 million or 107.0% as compared to approximately RMB347.8 million in the last year. The gross profit margin was approximately 38.1%, representing a decrease of approximately 16.0% as compared to approximately 54.1% in the last year. The decrease in gross profit margin was mainly due to the sales of property in Hangzhou delivered during the Year under Review, the gross profit margin of which was approximately 36.9%.

Other income and gains

Other income and gains during the Year under Review amounted to approximately RMB163.3 million, increased by approximately RMB157.5 million or 27.2 times as compared to approximately RMB5.8 million in the last year, which was mainly because the total gain on disposal of Xinming Property, a wholly-owned subsidiary of the Company, and Taizhou Logistics Center Land (legal construction area 20,853 sq. m., total land area 63,074 sq. m.) and Jiaojiang Bridge East Land (land area 16,236 sq. m.) in the sum of approximately RMB162.3 million during the Year under Review.

Selling and administrative expenses

During the Year under Review, the selling and administrative expenses amounted to approximately RMB253.1 million, representing an increase of approximately RMB76.1 million or approximately 43.0% as compared to approximately RMB177.0 million in the last year mainly due to increase in sales commission. The increase in sales commission was due to the increase of approximately 1.9 times in sales as compared with last year, but the impact was partially offset by the decline in the proportion of the commission. Administrative expense slightly decreased by approximately RMB2.4 million as compared with last year, mainly because of the better control of administrative expenses by the Company.

Other expenses

Other expenses during the Year under Review was approximately RMB107.4 million, representing an increase of approximately RMB79.0 million as compared to approximately RMB28.4 million in the last year, which was mainly because that during the Year under Review, provision of impairment for the under development property of Block 4 Phase 1 of Chongqing South-western City increased by approximately RMB36.3 million in total and Taizhou Xinming Property Investment Limited paid the property owners an expense in the sum of approximately RMB45.1 million.

Change in fair value of investment properties

During the Year under Review, the gain on change in fair value of investment properties amounted to approximately RMB28.2 million, representing a decrease of approximately RMB31.2 million or 52.5% compared to the gain on change in fair value of investment properties of approximately RMB59.4 million for the last year, mainly due to the decrease in fair value gains of the investment property Shanghai Xinming • Children's World.

Finance costs

During the Year under Review, the net interest costs amounted to approximately RMB6.6 million, representing a significant increase of approximately RMB6.5 million as compared to approximately RMB0.1 million of last year. The increase of the finance cost was mainly due to the increase of interest as a result of the fact that interest expense of the delivered Shanghai Xinming • Children's World cannot be capitalised.

Operation profit

During the Year under Review, the operation profit amounted to approximately RMB544.2 million, representing an increase of approximately RMB336.6 million or approximately 162.1% as compared to approximately RMB207.6 million in the last year. The increase was mainly due to the increase in the revenue from property sales.

Income tax expenses

During the Year under Review, the income tax expenses amounted to approximately RMB317.4 million, representing a significant increase of approximately RMB138.0 million or approximately 76.9% as compared to approximately RMB179.4 million in the last year, mainly due to the increase of income tax and land appreciation tax RMB168.9 million. On the contrary, the change of deferred tax was significantly decreased by approximately RMB30.9 million.

Profit attributable to the shareholders

During the Year under Review, the profit attributable to the shareholders amounted to approximately RMB242.3 million, representing a significant increase of approximately RMB232.1 million or approximately 22.8 times as compared to RMB10.2 million in the corresponding period of last year. The basic earnings per share amounted to approximately RMB0.13 per share, as compared to the basic earnings per share of approximately RMB0.01 per share of last year.

Cash flows

As at 31 December 2017, cash and bank deposits of the Group, including restricted cash, were approximately RMB657.7 million in aggregate (31 December 2016: approximately RMB968.7 million), representing a decrease of approximately RMB311.0 million or 32.1% mainly due to repayment of bank loan.

During the Year under Review, the net cash generated from operating activities of the Group was approximately RMB1,001.0 million (financial year ended 31 December 2016: net cash generated of approximately RMB158.2 million). The net cash generated from investing activities of the Group was approximately RMB218.3 million (financial year ended 31 December 2016: net cash generated of approximately RMB3.2 million). The net cash used in financing activities of the Group was approximately RMB1,029.6 million (financial year ended 31 December 2016: net cash used of approximately RMB127.2 million).

Pursuant to the exclusive management and operation agreement entered into between the Company's certain commercial properties with third party purchasers, the Company is required to pay certain percentages of the selling price of the property to the purchasers regardless whether such properties leased by the Company or were for generating rental income purpose. Based on the terms of the existing exclusive management and operation agreements and lease agreements as at 31 December 2017 and for the exclusive management and operation agreement entered into by the Company, in the period from 1 January 2018 to 1 July 2019, The Group would have a maximum net cash outflow of approximately RMB14 million and RMB20 million for years 2018 and 2019, respectively. We are not obliged to pay any agreed fees for the period from 1 July 2019 to 30 June 2024 under the exclusive management and operation agreements which we had entered into as at 31 December 2015.

Borrowings

As at 31 December 2017, the total bank loans and other borrowings of the Group were approximately RMB2,054.1 million, representing a decrease of approximately RMB955.4 million as compared to approximately RMB3,009.5 million as at 31 December 2016.

The borrowings repayable within one year of the Group was approximately RMB1,112.2 million, representing a decrease of approximately RMB432.3 million as compared to approximately RMB1,544.5 million as at 31 December 2016. Borrowings repayable after one year was approximately RMB941.9 million, representing a decrease of approximately RMB523.1 million as compared to approximately RMB1,465.0 million as at 31 December 2016.

Trade receivables, prepayments, deposits and other receivables

As at 31 December 2017, the total assets of trade receivables, prepayments, deposits and other receivables of the Group were approximately RMB195.5 million, representing a decrease of approximately RMB96.4 million as compared to approximately RMB291.9 million as at 31 December 2016, mainly due to the decrease in other receivables as a result of the recovery of borrowings.

Trade payables, advances from customers and other payables

As at 31 December 2017, the total trade payables, advances from customers and other payables of the Group was approximately RMB1,292.6 million, representing a decrease of approximately RMB498.7 million as compared to approximately RMB1,791.3 million as at 31 December 2016. The decrease was mainly because the project payment has been paid in accordance with the contracts without delay, and the corresponding decrease in trade payables of approximately RMB359.6 million.

Assets and liabilities

As at 31 December 2017, the total assets of the Group were approximately RMB6,753.6 million, representing a decrease of approximately RMB1,133.6 million as compared to approximately RMB7,887.2 million as at 31 December 2016. The total current assets were approximately RMB3,608.7 million, representing approximately 53.4% (31 December 2016: approximately 59.9%) of the total assets, decreased by approximately RMB1,112.6 million as compared to approximately RMB4,721.3 million as at 31 December 2016. However, the total non-current assets were approximately RMB3,144.9 million, representing approximately 46.6% (31 December 2016: approximately 40.1%) of the total assets, decreased by approximately RMB21.0 million as compared to approximately RMB3,165.9 million as at 31 December 2016.

As at 31 December 2017, the total liabilities of the Group were approximately RMB4,671.6 million, representing a decrease of approximately RMB1,275.1 million as compared to approximately RMB5,946.7 million as at 31 December 2016. The total current liabilities were approximately RMB3,306.7 million, representing approximately 70.8% (31 December 2016: approximately 68.2%) of the total liabilities, decreased by approximately RMB748.2 million as compared to approximately RMB4,054.9 million as at 31 December 2016. However, the total non-current liabilities were approximately RMB1,364.9 million, representing approximately 29.2% (31 December 2016: approximately 31.8%) of the total liabilities, decreased by approximately RMB526.9 million as compared to approximately RMB1,891.8 million as at 31 December 2016.

As at 31 December 2017, the net current assets of the Group were approximately RMB302.1 million, representing a decrease of approximately RMB364.4 million as compared to approximately RMB666.5 million as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Current ratio

As at 31 December 2017, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 1.09:1 (31 December 2016: 1.16:1).

Gearing ratio

As at 31 December 2017, the gearing ratio of the Group which is total bank loans and other borrowings as a percentage of total equity, was 98.7% (31 December 2016: 155.1%). The significant decrease was mainly due to the repayment of borrowings within one year.

Material event after the reporting period

There is no material event after the reporting period.

Significant investments

During the Year under Review, the Group has no significant investment.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group provides property management services to the owners of residential properties developed by the Group through Xinming Property. As the liabilities of Zhejiang Xinming exceed the value of assets and it may not be probable to recover such debts, and in view of the year-on-year increase in operational fee for the provision of the residential property management service, it is not optimistic in maintaining a stable gross profit. In the long-term interest of the shareholders, on 19 July 2017, the Board resolved to sell 100% equity interest in Zhejiang Xinming to Hangzhou Lanlv Investment Advisory Company Limited* (杭州藍綠投資諮詢有限公司) (as an independent third party) , the consideration shall be a nominal amount of RMB1. For details, please refer to the relevant announcement of the Company dated 21 July 2017.

Save as disclosed above, there was no other material acquisition or disposal of subsidiaries and affiliated companies made by the Group during the Year under Review.

Guarantees on mortgage facilities

As at 31 December 2017, the Group provided guarantees over the mortgage loans of certain purchasers of approximately RMB19.1 million (31 December 2016: approximately RMB17.8 million). Details of guarantees on mortgage facilities are set out in note 36 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Assets guarantees

As at 31 December 2017, the Group has pledged and restricted deposits in the bank deposits of nil (31 December 2016: approximately RMB500.0 million). In addition, partial bank borrowings of the Group were secured by the Group's certain properties under development, completed properties held for sale, investment properties and the equity interest in certain subsidiaries of the Group, and jointly guaranteed by the controlling shareholder of the Group, Mr. Chen Chengshou ("Mr. Chen"), the non-executive Director, Ms. Gao Qiaoqin, the Group's related company, Xinming Group Limited, and other minority shareholders of certain subsidiaries of the Group free of charge. Details of the assets guarantees are set out in the note 26 to the financial statements.

Capital expenditure

During the Year under Review, the Group's total capital expenditure was approximately RMB0.1 million, mainly included construction facilities expenses (31 December 2016: approximately RMB18.2 million).

Capital commitments

As at 31 December 2017, the capital commitments related to activities of properties under development was approximately RMB37.6 million (31 December 2016: approximately RMB549.0 million).

Exposure to exchange rate fluctuations

The Group operates mainly in Renminbi, and certain bank deposits of the Group are dominated in Hong Kong dollars. Save as disclosed above, the Group was not exposed to any material exchange rate fluctuations risk and did not enter into foreign currency hedging policies. However, the Group will monitor closely the exchange risk and may, as the case maybe and depending on the trend of foreign currency, consider to apply significant foreign currency hedging policies in the future.

Employees and remuneration policy

As at 31 December 2017, the Group has a total of 222 employees (31 December 2016: total 463 employees) significant decrease was due to the transfer of Xinming Property to third party during the Year under Review. The Group continued to promote the upgrading of talents, cultivating and recruiting excellent talents with sales and management experience, improving the allocation system of remuneration linked to performance and maintaining harmonious labor relations. The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. The total remuneration of employees includes basic salaries and cash bonus. Moreover, the Group has also adopted a share option scheme and a share award scheme.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Chengshou, aged 52, was appointed as the executive Director, chairman, chief executive officer, chairman of nomination committee and the authorized representative of the Company on 16 January 2014. He is the founder of our Group and primarily responsible for corporate strategic planning and overall business development of our Group. Mr. Chen had over 30 years of experience in the real estate industry. He has been the chairman of the board of 台州市新明房地產開發有限公司(Taizhou City Xinming Real Estate Development Company Limited*) since February 2007 and the director of our certain subsidiaries. Mr. Chen has been first participated in the management of the property development business in the PRC since June 2001 when he was appointed as chairman of 杭州桃源山莊房地產開發有限公司(Hangzhou Taoyuan Shanzhuang Property Development Limited*).

Mr. Chen is the honorary chairman of the 杭州市溫州商會(Hangzhou City Wenzhou Chamber of Commerce*), the chairman of the 全國泰順企業家聯誼會(Nationwide Taishun Entrepreneurs Fellowship Association*), the vice-chairman of 杭州市總商會(Hangzhou City Chamber of Commerce*), the vice-chairman of 杭州公共外交協會(Hangzhou Public Diplomacy Association*),the chairman of 杭州市來杭投資企業(商會)聯合會(Hangzhou City Chamber of Commerce for Enterprises Invested in Hangzhou), a member of the standing committee of 浙江省工商聯(Federation of Industry & Commerce of Zhejiang Province*) and a committee member of the 中國人民政治協商會議第十一屆杭州市委員會(Eleventh Hangzhou City Committee of the Chinese People's Political Consultative Conference*). He was appointed as the deputy director of the market committee of 中國商業聯合會(Chinese General Chamber of Commerce*) in March 2013. He has also been a director of Wenzhou Bank since November 2012 and a part-time tutor of master degree in international business of Zhejiang University (浙江大學) since February 2014.

Mr. Chen was awarded "「傑出杭商」(Excellent Entrepreneur of Hangzhou*)" in October 2016, "「2013-2015年度溫商回歸突出貢獻人物」(Outstanding Contribution of Entrepreneurs of Wenzhou for years 2013 to 2015*)" in September 2016, ""十二五"浙江房地產十大風雲人物 (Top ten in Zhejiang Real Estate Industry in the "十二五"*)" in June 2016, "世界溫商百名風雲人物——在外傑出溫商三十人榮譽 (Worldwide Outstanding 30 people of Entrepreneur of Wenzhou (External)*)" in February 2016; "「世界溫州人年度人物」(Wenzhou People of the Year*)" and "「世界溫商百名風雲人物」(One Hundred Excellent Entrepreneur of Wenzhou*)"in December 2014; "品質杭商(Entrepreneur with Good Character of Hangzhou*)" jointly by 中共杭州市委 (Hangzhou Municipal Committee of the Communist Party of China*) and 杭州市人民政府(The People's Government of Hangzhou*) in October 2013, "「誠信溫商」傑出代表(Outstanding Representative of Credible Entrepreneurs of Wenzhou*)" jointly by 溫州市委宣傳部 (Promotion Department of Wenzhou Municipal Committee of the Communist Party of China *) and 溫州市信用辦公室 (Wenzhou Credibility Office*) in August 2011, "優秀社會主義事業建設者(Outstanding Builder of Socialist Undertaking*)" jointly by 中共杭州市委 (Hangzhou Municipal Committee of the Communist Party of China*) and 杭州市人民政府 (The People's Government of Hangzhou*) in September 2010 and "關愛員工優秀企業家 (Staff Caring Excellent Entrepreneur*)"jointly by 杭州市總工會 (Federation of Trade Union of Hangzhou*) and 杭州市工商聯合會 (Hangzhou Federation of Industry and Commerce) in December 2009.

* *for identification purpose only*

Mr. Chen is the spouse of Ms. Gao Qiaoqin, the non-executive Director of the Company.

Mr. Chen obtained a graduation certificate in Administrative Management (through online courses) from Huazhong University of Science and Technology (華中科技大學) in the PRC in July 2013. He obtained Executive Master degree in Business Administration in CheungKong Graduate School of Business (長江商學院) in the PRC in September 2015. Mr. Chen is currently pursuing his EMBA in PBC School of Finance of Tsinghua University (清華大學五道口金融學院) in the PRC.

Mr. Feng Cizhao, aged 43, has been appointed as an executive Director of the Company with effect from 31 October 2015.

Mr. Feng graduated from Zhejiang University of Finance & Economics (浙江財經學院) and obtained his college degree in accounting in 2005, and then obtained the MBA degree from Zhejiang Gongshang University (浙江工商大學) in 2013.

Mr. Feng has extensive experiences in financing and management. He served as deputy chief financial officer of Taidi Holdings Group Co. Ltd.* (泰地控股集團有限公司) from August 2011 to September 2015. He worked with the finance department of Shaoxing Wantong Real Estate*(紹興萬通房產) and Margaret Business Management Company* (瑪格麗特商業管理公司) (both subsidiaries of Taidi Holdings Group Co. Ltd.* (泰地控股集團有限公司)) as the chief financial officer from September 2006 to July 2011. Mr. Feng acted as the head of office for Hangzhou Qingcheng Real Estate Development Co., Ltd.* (杭州青城房地產開發有限公司) from October 2002 to September 2006. He held several positions in Zhejiang Quzhou Transportation Group Co., Ltd.* (浙江衢州汽車運輸集團有限公司) from July 1996 to September 2002, including accountant with the planning and finance department of Zhejiang Quzhou Transportation Group Co., Ltd.* (浙江衢州汽車運輸集團有限公司), finance manager with the cargo container company and the automobile repair company under Zhejiang Quzhou Transportation Group Co., Ltd.* (浙江衢州汽車運輸集團有限公司).

Mr. Wong Thian Tsu Michael, aged 57, has been appointed as an executive Director of the Company with effect from 24 June 2016. He has been working in the overseas investment department of the Company since 1 June 2016, and is responsible for the Company's development strategic plan and the promotion and strategy development of the Company's projects overseas. Mr. Wong graduated from University of New South Wales and obtained his degree in Economics and Finance in 1983.

Mr. Wong has over 30 years of experience in matching candidates to projects in the financial industry, particularly with commodities and physical asset investments. Prior to joining the Group, he served as principal & lead consultant of Ecopal Ltd in Singapore from March 2006 to September 2015. He worked with WP Capital in Singapore as the financial consultant from March 2001 to June 2005. Mr. Wong acted as the deputy vice president in the Malaysian branch of IAM Malaysia (Japan) ADB BHD from March 1997 to September 2001.

* *for identification purpose only*

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Ms. Gao Qiaoqin, aged 49, was appointed as our non-executive Director on 10 June 2014. She is responsible for advising on overall strategic planning of our Group but not participate in the day-to-day management of our Group's business operation. She has approximately 10 years of experience in the real estate industry.

Ms. Gao obtained a graduation certificate in computer information management (through online courses) from Huazhong University of Science and Technology (華中科技大學) in the PRC in June 2005.

Ms. Gao is the spouse of Mr. Chen, who is the chairman, executive Director and chief executive officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gu Jiong, aged 45, was appointed as our independent non-executive Director, the chairman of remuneration committee, member of audit committee and nomination committee on 8 June 2015. He is the independent non-executive director of Chen Xing Development Holdings Limited (stock code:2286) listed on the Hong Kong Stock Exchange. Mr. Gu has been the chief financial officer of CMC Capital Partners, an investment fund specialized in media and entertainment investments in China and globally, from September 2013. He served as the chief financial officer in BesTV New Media Co., Ltd (stock code:600637), whose shares are listed on Shanghai Stock Exchange from January 2010 to September 2013.

Mr. Gu has been a non-practising member of the Chinese Institute of Certified Public Accountants since April 2004. Mr. Gu obtained a bachelor degree in finance management from Fudan University in the PRC in July 1995.

Mr. Lo Wa Kei, Roy, aged 46, was appointed as our independent non-executive Director, a member of the Remuneration Committee, and the chairman of audit committee on 8 June 2015. Mr. Lo has extensive experience in auditing, accounting and finance. Mr. Lo is a managing partner of SHINEWING (HK) CPA Limited, which is a full service accounting and consulting firm engaged in the provision of, among others, audit and business advisory services.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

He has been serving as an independent non-executive director of a number of companies listed on the Stock Exchange, including Sun Hing Vision Group Holdings Limited (stock code: 125), China Zhongwang Holdings Limited (stock code: 1333), Sheen Tai Holdings Group Company Limited (stock code: 1335), China Oceanwide Holdings Limited (previously known as "Hutchison Harbour Ring Limited") (stock code: 715), China Oceanwide International Financial Limited (previously known as Quam Limited) (stock code: 952) ,Wan Kei Group Holdings Limited (stock code: 1718) and G-Resources Group Limited (Stock Code: 1051). He also served as an independent non-executive director of North Mining Shares Company Limited (previously known as "Sun Man Tai Holdings Company Limited") (stock code: 433), a company listed on the Hong Kong Stock Exchange, since September 2004 to November 2015.

Mr. Lo received a bachelor's degree in business administration from the University of Hong Kong in November 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in November 2000. He is a certified public accountant, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. Mr. Lo was the fellow member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference and also the founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association, the vice president of CPA Australia (Greater China Division) 2018.

Mr. Fong Wo, Felix, BBS, JP, aged 67, was appointed as our independent nonexecutive Director, member of audit committee, nomination committee and remuneration committee on 8 June 2015. He is a consultant of King & Wood Mallesons, a global law firm headquartered in Asia. Mr. Fong has practiced law for over 30 years and is a member of the Law Societies of Hong Kong, Canada and England.

Mr. Fong has been serving as an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange, including Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (stock code: 337), Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (stock code: 124), Evergreen International Holdings Limited (stock code: 238), China Investment Development Limited (formerly known as Temujin International Investments Limited) (stock code: 204), Sheen Tai Holdings Group Company Limited (stock code: 1335) and Wuxi Biologics (Cayman) Inc. (stock code: 2269).From May 2010 to the end of May 2016, he also served as an independent non-executive director of China Oilfield Services Limited (stock code: 2883: HK; 601808: SHA), whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Fong is the immediate past Chairman of the Hong Kong Advisory Council on Food and Environmental Hygiene and a member of the Hong Kong Communication Authority.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Fong received his engineering degree from McMaster University in Canada in June 1974 and his Juris Doctor degree from Osgoode Hall Law School in Toronto in June 1978. Mr. Fong was admitted as a barrister in Ontario, Canada in 1980, a solicitor in England and Wales in 1986 and in Hong Kong in 1987. Mr. Fong is appointed by the Ministry of Justice of China as one of the China-appointed Attesting Officers in Hong Kong.

SENIOR MANAGEMENT

Mr. Kam Chun Ying Francis, aged 51, was appointed as one of the secretaries to the Board and the Company Secretary by the Company in July 2016 and Chief Investment Officer in January 2017, mainly responsible for internal control and risk matters, organisation of rules of procedures of Board meeting and general meeting, listing compliance supervision and keeping close investor relations and communication. Before joining the Company, Mr. Kam has been served as the qualified accountant of Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司) (stock code: 02722), a company listed on the main board of Hong Kong Stock Exchange, since 2008. He has served as the chief risk officer of Precision Technologies Group (PTG) Limited of UK since July 2013. Mr. Kam was the financial controller of TFH Management Limited in 2006, and was responsible for finance operations and corporate compliance in both the private and listed companies within that group. Between August 1986 and April 1989, Mr. Kam worked for Deloitte Touche Tohmatsu, previously known as Deloitte Haskins Sells, as a senior account assistant. He has over 20 years of experience in corporate and finance management. He has been a member of the Hong Kong Institute of Certified Public Accountants in the United Kingdom since June 1996 and a fellow of the Chartered Association of Certified Accountants since June 2001. Mr. Kam graduated from Heriot-Watt University in the United Kingdom in November 2004 with a master's degree in business administration.

Mr. Chen Liming, aged 41, served as the deputy engineering director of Shanghai Xinming Global Property Limited (上海新明環球置業有限公司)("Shanghai Xinming"), a subsidiary of the Company, since May 2015, mainly responsible for the project quality, progress and cost management for the projects of Shanghai Xinming. Mr. Chen joined our Company since March 2014 and acted as the deputy engineering director of Shandong Xingmeng project. Mr. Chen graduated from Xi'an Jiaotong University in civil engineering in July 2003.

Ms. Ji Hefei, aged 36, has been acted as Human Resources Director of the Company since November 2016, mainly responsible for human resources management, administrative management, information and logistic management. Ms. Ji joined Xinming Group Limited, which was the holding company of the Group's operating subsidiaries before listing of the Company ("XG Limited") and served as HR officer since April 2006. In July 2015, Ms. Ji was redesignated to the Company from XG Limited. Ms. Ji graduated from information management and information system in Zhejiang Sci-Tech University in July 2006.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Jie, aged 44, was appointed as the chief executive officer of the Company in February 2017, mainly assisted the president to manage the overall operation of the Group and the formulation and implementation of overall strategy of the Company. Mr. Li joined XG Limited in October 2006 and has ever served as general manager of XG Limited's subordinate company Zhejiang Xinming Property Services Limited, XG Limited's president assistant, full-time assistant for XG Limited's president and general manager of Shandong Xingmeng Property Limited. Mr. Li obtained MBA from Business School, Netherlands in July 2012.

Ms. Quan Xiaolin, aged 47, was appointed as our executive Director on 10 June 2014. She is mainly responsible for risk management and general secretarial matters of the Board. Ms. Quan resigned executive Director of the Company on 12 June 2016, but still serves as one of the joint secretaries to the Board, mainly responsible for general secretarial matters of the Board. Ms. Quan joined XG Limited in October 2004 and was re-designated to the Company from XG Limited in July 2015. Ms. Quan obtained a graduation certificate in Financial Accounting from Zhejiang Radio & Television University (浙江廣播電視大學) in the PRC in January 2002.

Ms. Wu Yaqin, aged 39, has been served as project general manager of the Company's subsidiary Hangzhou Xinming Property Limited in April 2014 mainly responsible for the project development and management of Hangzhou Xinming Property. Ms. Wu joined XG Limited and served as marketing manager in August 2005. Ms. Wu graduated from Zhejiang University (浙江大學) in July 2001 in accounting.

Ms. Zhu Xiaohui, aged 41, has been served as the chief inspector of the cost control department since January 2016, mainly responsible for the cost control. Ms. Zhu joined XG Limited and served as the engineer of the cost control department in December 2007. In July 2015, Ms. Zhu was re-designated to the Company from XG Limited. Ms. Zhu graduated from Hunan Urban Construction Institution in industry (湖南省城市建設高等專科院校) and civil construction.

Mr. Zhang Heping, aged 47, served as general manager of Shanghai Xinming, a subsidiary of the Company, in February 2017. He is mainly responsible for the development and management of entire Shanghai Xinming Real Estate Project. Mr. Zhang joined the company in November 2012 as the executive vice president of the Shanghai Xinming.

Mr. Fu Shixuan, aged 43, was appointed as the general manager of Shandong Xingmeng Property Limited (山東興盟置業有限公司), a subsidiary of the Company, in July 2017. He is mainly responsible for the development and management of the entire project of Shandong Xingmeng Real Estate. Mr. Fu gradnated from Shandong Management University (山東省工會管理幹部學院) in Economics and Trade in June 1994.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Yizheng, aged 45, served as Assistant to the President and Director of the Brand Management Department of the Company in October 2015. He is mainly responsible for assisting President's work and the establishment of and promotion of the corporate branding. Mr. Zhang graduated from Qingdao University (青島大學) majoring in accounting in July 1996.

Ms. Zengna, aged 30, served as regional head of Taizhou Xinming Property Investment Co., Ltd. (台州新明置業投資有限公司), a subsidiary of the Company, in August 2017, and is mainly responsible for the development and management of the entire project in the Taizhou regional project. Ms. Zeng joined XG Limited in March 2007 and has successively served as the head of human resources and administration, head of Sales Department, sales manager, sales and marketing director, and marketing deputy director of the subsidiary companies of XG Limited. Ms. Zeng graduated from Chongqing Normal University (重慶師范學院) in July 2006 and majored in tourism management.

DIRECTORS' REPORT

The Directors present to the Shareholders the directors' report together with the audited consolidated financial statements of the Group for the Year under Review.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the current and continuing principal activities of the Group are property development, property investment and property leasing during the Year under Review. The principal activities and other particulars of its subsidiaries as at 31 December 2017 are set out in Note 1 to the consolidated financial statements.

As required by the Schedule 5 of the Hong Kong Companies Ordinance, business review regarding business of the Group can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 9 and page 11. An indication of possible future development in the Group's business can be found in the Management Discussion and Analysis set out on page 16 of this annual report. This discussion forms part of this directors' report.

BUSINESS REVIEW

Compliance with Laws and Regulations

Due to the nature of the business of the Group, the Directors are of the opinion that no specific laws and regulations related to environmental protection has significant impact on the operations of the Group. Environmental protection policies and performance regarding the Group are set out in "Environmental, Social and Governance Report" on pages 75 to 86.

Relationship with Employee, Customers and Suppliers

Remuneration packages are for employees generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including pension and performance related bonus.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Relationship with customers is the fundamental of business. The Group fully understands this principle and thus maintains close relationship with customers to fulfill their immediate and long-term need, and the Group is striving to maintain fair and cooperative relationship with suppliers. Details are set out in "Environmental, Social and Governance Report".

Principal Risks and Uncertainties

(1) *Intensified competition may materially and adversely affect our business, results of operations and financial condition*

Competition within the PRC real estate industry is intense. Domestic and overseas property developers have also entered the property development markets in cities where we have operations. Some of them may have more financial, marketing, technical or other resources than us. Competition among property developers may cause an increase in land premium and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of governmental approvals, and higher costs to attract or retain skilled employees. If we fail to compete effectively, our business, results of operations and financial condition may be materially and adversely affected.

(2) *PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects*

All of our revenue during the Year under Review was derived from our operations in the PRC. We anticipate that China will remain our primary market in the foreseeable future. Accordingly, our business, prospects, results of operation and financial position are, to a significant degree, subject to the economic, political and legal developments of the PRC.

The PRC economy differs from the economies of most of the developed countries in many aspects, including political structure, the amount and degree of the PRC government involvement and control, level of corruption, growth rate and degree of development, level and control of capital investment and reinvestment, control of foreign exchange and allocation of resources. As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of other developed countries.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. However, the PRC government continues to exercise significant control over the PRC economy through allocating resources, restricting capital flow and foreign exchange, setting monetary and fiscal policies, imposing industrial policies and various directives, providing government grants and other preferential treatment to particular industries and companies. We cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, results of operations and financial position. Moreover, even if new policies may benefit the real estate developers in the long term, we cannot assure you that we will be able to successfully adjust to such policies.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial position.

(3) Interest rate risk may aggravate the debt costs of the Group

The main source of loan of the Group is derived from bank loans. Therefore, the benchmark interest announced by the People's Bank of China will directly affect the Group's debt costs. Changes in future interest rates will have a certain impact on the Group's debt costs.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year under Review are set out in the consolidated statement of comprehensive income on page 93.

FINAL DIVIDEND

The Board did not propose to declare a final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday 12 June 2018 to Friday 15 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to attend and vote at the annual general meeting ("AGM"), all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 11 June 2018.

DIRECTORS' REPORT

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to profit or loss for the Year under Review by its principal activities is set out in Note 4 to the financial statements. Details of the segment information can be found in the Management Discussion and Analysis set out pages 11 to 14 of this annual report.

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 186, which does not constitute part of these consolidated financial statement.

ISSUED CAPITAL

Details of the issued share capital of the Company during the Year under Review are set out in Note 30 to the financial statements.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Year under Review.

INVESTMENT PROPERTIES

For the year ended 31 December 2017, the change of the Company and the Group's investment properties were set out in note 16 of the financial statement.

RESERVES

Movements in the reserves of the Group and the Company during the Year under Review are set out on pages 163 to 164 and page 185 and in Note 32 and Note 47 to the financial statements respectively.

CHARITABLE DONATIONS

During the Year under Review, charitable donations of the Group was approximately RMB200,000 (2016: approximately RMB12,000).

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands where the Company is incorporated.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's top five customers accounted for 8% (2016: 6%) of the Group's total revenue and the top five suppliers accounted for 67% (2016: 44%) of the Group's total purchases for the Year under Review. In addition, the Group's largest supplier accounted for 47% (2016: 36%) of the total purchases for the Year under Review.

All transactions between the Group and relevant supplies and customers were carried out on normal commercial terms.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in the major customers and suppliers noted above.

DIRECTORS

The Directors of the Company in the year and up to the date of this Directors' Report are:

Executive Directors

Mr. Chen Chengshou *(Chairman and CEO)* (appointed on 16 January 2014)
Mr. Feng Cizhao (appointed on 31 October 2015)
Mr. Wong Thian Tsu Michael (appointed on 24 June 2016)

Non-executive Director

Ms. Gao Qiaoqin (appointed on 10 June 2014)

Independent Non-executive Directors

Mr. Fong Wo, Felix (appointed on 8 June 2015)
Mr. Gu Jiong (appointed on 8 June 2015)
Mr. Lo Wa Kei, Roy (appointed on 8 June 2015)

DIRECTORS' REPORT

According to article 112 of the Articles of Association: "The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting."

According to article 108 (a) of the Articles of Association of the Company: "Notwithstanding any other provisions in these articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office."

Mr. Feng Cizhao, as the executive Director and Mr. Fong Wo, Felix and Mr. Lo Wa Kei, Roy as the independent non-executive Directors will retire from office as the Directors at the AGM and being eligible, offer themselves for re-election.

SERVICE CONTRACTS OF DIRECTORS

Mr. Chen Chengshou entered into a service agreement with the Company for a term of three years from 6 July 2015 ("Listing Date") and which will renew and prolong for one year automatically after the expiry of the appointment, during which such service agreements can be terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

Ms. Gao Qiaoqin, the non-executive Director; Mr. Gu Jiong, Mr. Lo Wa Kei, Roy and Mr. Fong Wo, Felix, the independent non-executive Directors, each entered into a letter of appointment with the Company for a term of three years from the Listing Date, during which such letters of appointment can be terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

DIRECTORS' REPORT

Mr. Feng Cizhao and Mr. Wong Thian Tsu Michael, as executive Directors, entered into a service agreement with the Company. Mr. Feng Cizhao is in a term of three years from 31 October 2015 and Mr. Wong Thian Tsu Michael is in a term of three years from 24 June 2016, which will renew and prolong for one year automatically after the expiry of the appointment, during which such service agreement can be terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

In accordance with the Articles of Association and Appendix 14 to the Listing Rules, not less than one-third of the Directors shall retire from office by rotation annually. No directors being proposed for re-election at the AGM has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The Directors' fees are determined by the Remuneration Committee with reference to directors' duties, responsibilities and operating results of the Company, which are subject to the review of the Board and shareholders' approval at annual general meetings. Please refer to note 8 to the Financial Statements on pages 137 to 138 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY

The shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date. As at the date of this annual report, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required to be recorded in the register referred to therein pursuant to section 352 of the SFO; or (c) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in the shares and underlying shares:

The Company

Name of Directors	Capacity/Nature of interest	Number of shares/ underlying shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Chen Chengshou	Interest of controlled corporation (Note 1)	1,349,600,000(L)	71.84%
Ms. Gao Qiaoqin	Interest of spouse (Note 2)	1,349,600,000(L)	71.84%
Mr. Feng Cizhao	Beneficial Owner (Note 3)	129,000(L)	0.007%

(L): represents long positions

Notes:

1. 1,349,600,000 shares are registered in the name of Xinxing Company Limited which is wholly-owned by Mr. Chen.

2. Ms. Gao is the spouse of Mr. Chen. Under the SFO, Ms. Gao is deemed to be interested in the same number of shares in which Mr. Chen is interested in.

3. Those shares are award shares granted by the Board on 7 April 2016 pursuant to the Share Award Scheme but have been fully vested.

Associated corporation Xinxing Company Limited

Name of Director	Nature of interest	Number and class of securities in the associated corporation	Approximate percentage of interest in the associated corporation
Mr. Chen Chengshou	Beneficial owner	1 share(1)	100%
Ms. Gao Qiaoqin	Interest of spouse	1 share(2)	100%

Notes:

(1) The disclosed interest represents the interests in the associated corporation, Xinxing Company Limited, which is held as to 100% by Mr. Chen as at the date of this annual report.

(2) Ms. Gao is the spouse of Mr. Chen. By virtue of the SFO, Ms. Gao is deemed to be interested in the 1 share of Xinxing Company Limited held by Mr. Chen.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

The register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO shows that, as at the date of this annual report, the following Shareholders, other than those disclosed in the section headed "Directors' and Chief Executives' Interest in the Securities of the Company", had notified the Company of its interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interest in the Company

Name of substantial Shareholder	Capacity/nature of interest	Number of shares/ underlying shares	Approximate percentage of the issued share capital of the Company
Xinxing Company Limited (Note)	Beneficial owner	1,349,600,000	71.84%

Note: Xinxing Company Limited is wholly-owned by Mr. Chen as at the date of this annual report.

Save as disclosed above, as at the date of this annual report, the Company had not been notified by any persons, other than Directors or chief executives of the Company, who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

Each of the controlling shareholders has made an annual declaration with regard to their compliance with the terms of the deed of non-competition. The details of the deed of noncompetition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus. The deed of non-competition by controlling shareholders has taken effect from the Listing Date.

DEED OF NON-COMPETITION BY EXECUTIVE DIRECTORS

Each of the executive Directors has made an annual declaration with regarding to their compliance with the terms of the deed of non-competition. The deed of non-competition by executive Directors has taken effect from the Listing Date. The INEDs had reviewed and confirmed that the executive Directors of the Company have complied with the deed of non-competition and the deed of non-competition has been enforced by the Company in accordance with its terms.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Share Option Scheme") on 8 June 2015, which will be in force for a period of 10 years. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, full-time employees, advisers, suppliers and customers to our Company or our subsidiaries (the "Eligible Participants") may be granted options which entitle them to subscribe for Shares, provided that the number of Shares to be subscribed under such option together with the options granted under any other schemes initially shall not more than 10% of the Shares in issue on the Listing Date.

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to improve their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company).

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the "Maximum Limit"). No options shall be granted under any schemes of the Company, including the Share Option Scheme, if that will result in the Maximum Limit being exceeded.

The Board may, at its discretion, offer to grant an option to the Eligible Participants. An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

After receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial adviser, the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Hong Kong Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

As at the date of this annual report, the total number of Shares to be issued under the Share Option Scheme is 188,000,000 Shares, representing 10% of the issued Shares at Listing Date. No share option was granted, exercised or cancelled by the Company since the adoption of the Share Option Scheme.

SHARE AWARD SCHEME

On 26 January 2016, the Company adopted the share award scheme (the "Scheme"), pursuant to which Bank of Communications Trustee Limited as trustee (the "Trustee"). The Board is pleased to announce that it has adopted the Scheme to recognize the contribution by certain eligible participants and to attract suitable personnel for further development of the Group. Each of the Company and Mr. Chen, the executive Director and controlling shareholder of the Company, may make contribution to the trust for the purpose of vesting awarded Shares to the selected participants. Pursuant to the Scheme, the Company may from time to time at its sole discretion subject to requirements under this Scheme, cause to be paid any sums of money to the Trustee and instruct the Trustee to purchase shares in the market at prevailing market price. Mr. Chen may from time to time transfer shares to the Trustee, for the purpose of vesting awarded shares to the selected participants, subject to the compliance with the requirements of the Listing Rules, all applicable laws from time to time. The Trustee will hold the awarded shares on trust for all or one or more of the selected participants until such awarded shares are vested with the relevant selected participants in accordance with the rules of the Scheme.

The Scheme is a discretionary scheme of the Company and shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Scheme and the trust deed.

The Board shall not make any further award of awarded Shares which will result in the nominal value of the Shares awarded by the Board under the Scheme exceeding ten per cent (10%) of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected participant under the Scheme shall not exceed one per cent (1%) of the issued share capital of the Company from time to time. The Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules.

The Scheme will remain in force for a period of 10 years since the date of adoption of the Scheme. Early termination should be done by the Board.

On 7 April 2016, the Board resolved to award 13,716,666 awarded shares ("Awarded Shares") to 150 selected participants through the deployment of the shares of the Company. All Awarded Shares have been vested to eligible participants. For details, please refer to the announcements of the Company dated 18 February 2016 and 7 April 2016. Apart from that, the Company has not granted, exercised or cancelled any Awarded Shares.

During the year under review, (i) no share options were granted, exercised or cancelled by the Company and (ii) the Board of the Company has neither paid any funding to the trustee of the Scheme nor allowed the trustee to purchase the shares of the Company on the Stock Exchange. During the year under review, the trustee of the Scheme also did not purchase any shares of the Company on the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time since the Listing Date was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company, including their spouses and children under 18 years of age, to hold any interest or short positions in the Shares, or underlying shares, or debentures, of the Company or its associated corporations, within the meaning of Part XV of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year under Review or at any time during the Year under Review, and in which a Director had, whether directly or indirectly, a material interest, nor there were any other transactions, arrangements or contracts of significance in relation to the Company's business between the Company or any of the Company's Subsidiaries and a controlling Shareholder or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

In accordance with the disclosure requirements of the continuing connected transactions in Chapter 14A of the Listing Rules of the Hong Kong, during the year under review, the following transactions between the Company and certain connected parties were disclosed as follows:

Non-exempt Continuing Connected Transactions

The transactions set forth below are continuing connected transactions subject to report, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirements (the "Non-exempt Continuing Connected Transactions"), for the purpose of Chapter 14A of the Listing Rules:

1. **Nanshuo Master Service Agreement**

On or about 15 May 2015, the Company and Shanghai Nanshuo Asset Operation and Management Co., Ltd.* (上海南碩資產經營管理有限公司) ("Shanghai Nanshuo") entered into a master service agreement ("Nanshuo Master Service Agreement") for a term ending on 31 December 2017, pursuant to which Shanghai Nanshuo agreed to provide commercial property marketing services for sourcing tenants and the ongoing management services for the commercial properties of our Group. The service fees payable by our Group to Shanghai Nanshuo will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar services in the PRC.

As our major business will continue to focus on property development, we will require Shanghai Nanshuo to provide marketing and management services for our commercial properties so that we can concentrate our resources on property development business. In addition, the skills and expertise for managing residential properties are different from commercial properties and it will be more cost effective to our Group to outsource the management of commercial properties to Shanghai Nanshuo.

Shanghai Nanshuo is owned as to 100% by 浙江天茂園林工程有限公司 (Zhejiang Tianmao Landscape Engineering Co., Ltd.*) ("Zhejiang Tianmao"), which in turn is owned as to 60% by Zheng Xiangtian (鄭翔天) and 40% by Mr. Chen Chengshou, respectively.

Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. As Shanghai Nanshuo is 100% owned by Zhejiang Tianmao, which is an associate of Zheng Xiangtian (鄭翔天) and hence Shanghai Nanshuo is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amount of the transactions under the Nanshuo Master Service Agreement for the year ended 31 December 2017 is approximately RMB22, 000,000, and each of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, where applicable, in respect of the Nanshuo Master Service Agreement is, on an annual basis, less than 5%. Therefore, the transactions under the Nanshuo Master Service Agreement will be exempted from the circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. For the year ended 31 December 2017, the total actual annual service fees amounted to approximately RMBNil.

2. Tianmao Master Service Agreement

On or about 15 May 2015, the Company and Zhejiang Tianmao entered into a master service agreement ("Tianmao Master Service Agreement") for a term ending on 31 December 2017, pursuant to which Zhejiang Tianmao agreed to provide construction services which mainly include landscaping and planting projects to our Group. The service fees payable by our Group to Zhejiang Tianmao will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar services in the PRC.

Our Group has established a long term relationship with Zhejiang Tianmao which provides construction services for landscaping and planting projects to our Group from time to time. Zhejiang Tianmao has been providing us with quality services. Our Directors consider that it is in our Group's interests to continue our relationship with Zhejiang Tianmao and source the services from Zhejiang Tianmao upon the Listing.

Zhejiang Tianmao is owned as to 60% by Zheng Xiangtian (鄭翔天) and 40% by Mr. Chen Chengshou, respectively. Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. Therefore, Zhejiang Tianmao is an associate of Zheng Xiangtian (鄭翔天) and hence Zhejiang Tianmao is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amount of the transactions under the Tianmao Master Service Agreement for the year ended 31 December 2017 is approximately RMB10,000,000, and each of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, where applicable, in respect of the Tianmao Master Service Agreement is, on an annual basis, less than 5%. Therefore, the transactions under the Tianmao Master Service Agreement will be exempted from the circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. For the year ended 31 December 2017, the total actual annual service fees amounted to approximately RMB4,468,000.

3. **Master Supply Agreements**

(a) ***Kaijie Master Supply Agreement***

On or about 15 May 2015, the Company and Hangzhou Kaijie Decoration Co.,Ltd* (杭州開捷門窗有限公司) ("Hangzhou Kaijie") entered into a master supply agreement (the "Kaijie Master Supply Agreement") for a term ending on 31 December 2017, pursuant to which Hangzhou Kaijie agreed to supply construction raw materials which mainly comprise doors and windows to our Group. The purchase price payable by our Group to Hangzhou Kaijie will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar construction raw materials in the PRC.

The Group has established a long term relationship with Hangzhou Kaijie which supplies construction raw materials to our Group from time to time. Hangzhou Kaijie has been supplying us with quality construction raw materials. Our Directors consider that it is in our Group's interests to continue our relationship with Hangzhou Kaijie and source the construction raw materials from Hangzhou Kaijie upon the Listing.

Hangzhou Kaijie is owned as to 35% by Zheng Xiangtian (鄭翔天) and 65% by three independent third parties, respectively. Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. Hangzhou Kaijie is an associate of Zheng Xiangtian (鄭翔天) and hence Hangzhou Kaijie is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amount of the transactions under the Kaijie Master Supply Agreement for the year ended 31 December 2017 is RMB21,000,000. The total actual annual supply fees under the Kaijie Master Supply Agreement for the year ended 31 December 2017 amounted to RMBNil.

(b) ***Shouchuang Master Supply Agreement***

On or about 15 May 2015, the Company and Zhejiang Shouchuang Industry Co.,Ltd* (浙江首創實業有限公司) ("Zhejiang Shouchuang") entered into a master supply agreement (the "Shouchuang Master Supply Agreement") for a term ending on 31 December 2017, pursuant to which Zhejiang Shouchuang agreed to supply construction raw materials which mainly include electrical boxes, fans, pumps, tanks, air conditioners, tiles, paint, fountain, locks and other construction and building raw materials to our Group. The purchase price payable by our Group to Zhejiang Shouchuang will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar construction raw materials in the PRC.

The Group has established a long term relationship with Zhejiang Shouchuang which supplies construction raw materials to our Group from time to time. Zhejiang Shouchuang has been supplying us with quality construction raw materials. Our Directors consider that it is in our Group's interests to continue our relationship with Zhejiang Shouchuang and source the construction raw materials from Zhejiang Shouchuang upon the Listing.

Zhejiang Shouchuang is owned as to 100% by Zheng Xiangtian (鄭翔天). Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. Zhejiang Shouchuang is an associate of Zheng Xiangtian (鄭翔天) and hence Zhejiang Shouchuang is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amount of the transactions under the Shouchuang Master Supply Agreement for the year ended 31 December 2017 is RMB15,000,000. The total actual annual supply fees under the Shouchuang Master Supply Agreement for the year ended 31 December 2017 amounted to RMBNil.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions under the Kaijie Master Supply Agreement and Shouchuang Master Supply Agreement (collectively the "Master Supply Agreements") have been aggregated. On an annual basis, the aggregate annual cap under the Master Supply Agreements for the year ended 31 December 2017 is approximately RMB36,000,000, and each of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, where applicable, in respect of the Master Supply Agreements is, on an annual basis, less than 5%. Therefore, the transactions under the Master Supply Agreements will be exempted from circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. The total actual annual supply fees under the Master Supply Agreement for the year ended 31 December 2017 amounted to RMBNil.

4. Real Estate Agency Services Agreements

On 15 May 2015, our Group entered into an exclusive real estate agency services agreement with Hangzhou Taoyuan Shanzhuang Property Development Limited ("Taoyuan Property") and another exclusive real estate agency services agreement with Hangzhou Dongtian Shangting Property Limited ("Hangzhou Dongtian") (together, the "Real Estate Agency Services Agreements"). Pursuant to the Real Estate Agency Services Agreements, each of Taoyuan Property and Dongtian Property appointed our Group as its exclusive sales agent of properties developed by Taoyuan Property and Dongtian Property in connection with the Hangzhou Xinming Peninsular (杭州新明半島) and Hangzhou Dongtian (杭州東田) for a term ending on 31 December 2017. Our Group has the discretion (but not the obligation) to renew the Real Estate Agency Services Agreements on the same terms for a period of three years until all the properties in relation to the Hangzhou Xinming Peninsular (杭州新明半島) and Hangzhou Dongtian (杭州東田) are sold out.

Pursuant to the Reorganisation, Taoyuan Property and Dongtian Property were excluded from our Group because of the restriction for the change of ownership in the equity pledge contracts executed by XG Limited and Taoyuan Property, respectively, in favour of an independent third party. In order to minimize any potential competition issue, our Group entered into the Real Estate Agency Services Agreements with Taoyuan Property and Dongtian Property, pursuant to which our Group shall, after consultation with them, have the discretion to determine the strategy, timing and selling price of the properties in the Hangzhou Xinming Peninsular (杭州新明半島) and the Hangzhou Dongtian (杭州東田).

Taoyuan Property is principally engaged in the property development in Hangzhou and is the project company of the Hangzhou Xinming Peninsular (杭州新明半島), which was owned as to 51% by XG Limited and 49% by 浙江正遠房地產代理有限公司 (Zhejiang Zhengyuan Property Agent Company Limited*) ("Zhejiang Zhengyuan"), as at the date of this annual report. Zhejiang Zhengyuan was owned as to 20% by Ms. Gao, our non-executive Director and the spouse of Mr. Chen. The remaining 80% interests in Zhejiang Zhengyuan were owned by two independent third parties. XG Limited was owned as to 99% by Mr. Chen, our executive Directors and controlling Shareholders, and 1% by Ms. Gao, respectively, as at the date of this annual report. Dongtian Property is principally engaged in property development in Hangzhou and is the project company for Hangzhou Dongtian (杭州東田), which is owned as to 100% by Taoyuan Property. Taoyuan Property and Dongtian Property are considered as connected persons of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amount of the transactions under the Real Estate Agency Services Agreements for the year ended 31 December 2017 is approximately RMB37,000,000, and each of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, where applicable, in respect of the Real Estate Agency Services Agreements is, on an annual basis, less than 5%. Therefore, the transactions under the Real Estate Agency Services Agreements will be exempted from circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. For the year ended 31 December 2017, Taoyuan Property and Dongtian Property did not pay any commission to our Group.

Construction Services Framework Agreement

The shareholding structure of Yuanyang Holdings Group Limited (formerly known as 遠揚控股集團股份有限公司(Yuanyang Holdings Group Share Limited Company*))("Yuanyang Holdings"), a contractor which undertook the construction projects of the Company's Hangzhou Canal Project and certain buildings of Chongqing China South-western City Project, has been changed and the Company has received notice of the change in mid-December 2016, that 51% controlling interest in Yuanyang Holdings was acquired by Zhejiang Xinming Trading Limited, a company which Mr. Zheng Xiangtian owned 90% at that time. Mr. Zheng Xiangtian is the elder brother of Mr. Chen Chengshou, an executive Director, and is a connected person of the Company under Chapter 14A of the Listing Rules. Yuanyang Holdings has become a connected person of the Company after the change of its shareholding structure. For details, please refer to the announcement made by the Company dated 20 January 2017.

On 20 January 2017, the Company and Yuanyang Holdings Group Share Limited Company ("Yuanyang Holdings", together with its subsidiaries "Yuanyang Holdings Group") have entered into the Construction Services Framework Agreement, pursuant to which Yuanyang Holdings provided construction services to the Group in 2017 and 2018 for Chongqing project and Hangzhou project. For each financial year ended 31 December 2017 and 31 December 2018, with the approval of the Board, the total consideration paid by the Group to Yuanyang Holdings will not exceed each of the annual cap of RMB13.8 million and RMB1.3 million. During the Year under Review, the Company paid Yuanyang Holdings approximately RMBNil in accordance with the Construction Services Framework Agreement.

Engineering Services Framework Agreement

After the Company's review on the construction progress of the Chongqing project and Hangzhou project and the further negotiation with Yuanyang Holdings, on 7 March 2017, the Company entered into the Engineering Services Framework Agreement ("Engineering Services Framework Agreement") with Yuanyang Holdings to supplement the arrangement of outstanding works under the construction contracts in 2017 and 2018 pursuant to the Construction Services Framework Agreement dated 20 January 2017. The Engineering Services Framework Agreement was approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 May 2017.

Accordingly, for each financial year ended 31 December 2017 and 31 December 2018, the total consideration paid by the Group to Yuanyang Holdings will not exceed the annual cap of RMB225,488,295 and RMB19,607,678. During the Year under Review, the Company paid approximately RMB196,972,000 to Yuanyang Holdings under the Engineering Services Framework Agreement. For details, please refer to note 40 of the consolidated financial statements, the announcement and the circular of the Company dated 7 March 2017 and 28 April 2017, respectively.

The Board has received a letter from the auditors of the Company and has submitted a copy to the Stock Exchange, confirming that during the reporting period, the above continuing connected transactions:

(1) have received the approval of the Board of the Company;

(2) have been entered into in accordance with the relevant agreement governing the transactions; and

(3) have not exceeded the cap disclosed in previous announcements.

Save as disclosed above, the related party transaction set out note 40 to the financial statements does not required to be disclosed according to Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The INEDs of the Company have reviewed the continuing transactions above and confirmed that those transactions have been entered into:

(1) in the usual and ordinary course of business of the Group;

(2) either on normal commercial terms or;

(3) in accordance with the relevant agreements; and

(4) its term are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

The auditor of the Company was engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 'Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules' issued by the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

For the purpose of continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules from time to time, and the value and transaction terms of the transaction on 31 December 2017 have been determined in accordance with the pricing policies and guidelines set out in the Hong Kong Stock Exchange's Guidance Letter HKEx-GL73-14.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

For the year ended 31 December 2017, none of the Directors was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group's businesses.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the Year under Review as required under the Listing Rules.

AUDITOR

Ernst & Young was appointed as auditor of the Company since the Listing and will retire at the forthcoming annual general meeting ("AGM"). Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as the auditor of the Company is to be proposed at the forthcoming AGM of the Company.

The Company did not change its auditor in the past three years.

By order of the Board
Xinming China Holdings Limited
Chairman and Chief Executive Officer
Chen Chengshou

Hangzhou • PRC
29 March 2018

CORPORATE GOVERNANCE REPORT

MISSION

The Board is committed to maintaining high standards of corporate governance and to ensure high transparency in operation, so as to enhance the operation effectiveness of the Company and to protect the interests of the Shareholders in all respects. The Board endeavors to perform strict integrity and ethics in every aspect of business, to maintain sound risk management and internal control system and to absorb high caliber members to the Board.

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2017, the Board had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except the disclosure in "Chairman and Chief Executive Officer"below.

To the best of the Directors' knowledge, there is no information reasonably indicates that the Company has not complied with the Code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules at any time during the year ending 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 own code of conduct of dealings in securities of the Company by the Directors. Upon specific enquiries of all the Directors, each of them has confirmed that they complied with the required standards set out in the Model Code during the Year under Review.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he possesses inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees was noted by the Company.

BOARD OF DIRECTORS

Structure

As at the date of this annual report, the Board comprised three executive Directors, one non-executive Director and three independent non- executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Chen Chengshou *(Chairman and Chief Executive Officer)*
Mr. Feng Cizhao
Mr. Wong Thian Tsu Michael

Non-executive Director

Ms. Gao Qiaoqin

Independent Non-executive Directors

Mr. Fong Wo, Felix
Mr. Gu Jiong
Mr. Lo Wa Kei, Roy

The independent non-executive Directors (the "INEDs") represent over one-third members of the Board. The profiles of all Directors are set out on pages 23 to 27 of this annual report. Save as disclosed in this annual report, there is no other relationship among members of the Board, including financial, business, family or other material/relevant relationship. The INEDs are highly experienced professionals and businessmen with a broad range of expertise and experience in accounting, finance, legal and business management and one of them has appropriate professional accounting qualification as required by the Hong Kong Stock Exchange.

The Board is responsible for directing and supervising the Company's affairs. Each Director acts in good faith for the best interest of the Company. The Directors are collectively and individually responsible to the Company for the manner in which the affairs of the Company are managed, controlled and operated. They had devoted sufficient time and attention to the Company's affairs during the Year under Review.

At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. As such, the term of office of each Director has been specified under the Articles of Association.

The Company has arranged appropriate liability insurance to indemnify the Group's Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Assistance to Directors in Decision Making

Throughout their period in office, the Directors have been informed of the Group's business, the competitive and regulatory environments in which it operates and other changes affecting the Group and the industry it operates in as a whole. They have also been advised on appointment of their legal and other duties and obligations as directors of a company and updated on changes to the legal and governance requirements of the Group and upon themselves as the Directors.

Conduct of Meetings

The Directors are consulted and properly briefed for matters to be included in the meeting agenda. The Board is supplied with relevant information as well as reports relating to operational and financial performance of the Group before each regular Board meeting. At least 14 days' notice of a regular Board meeting is given to all Directors providing them with the opportunity to attend the meeting. For regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are dispatched to all Directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and will be adequately prepared for the meeting. Senior management is invited to attend the meeting to address to the Board members' queries. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making purpose.

The Chairman has delegated the responsibility to the company secretary of the Company (the "Company Secretary") for drawing up and approving the meeting's agenda for each Board meeting, taking into account of any matter proposed by the other Directors for inclusion in the agenda. The proceedings of the Board at its meetings are generally monitored by the Chairman who would ensure that sufficient time is allocated for discussion and consideration of each item on the agenda. Equal opportunities are given to each Director to express his/her views and concerns.

All Directors have full access to the advice and services of the Company Secretary to ensure the Board's procedures, rules and regulations are followed. Draft and final versions of minutes of each Board meeting in sufficient details are sent to the Directors for comments and records within reasonable time after the meeting is held. The minutes of the Board and the Board committees' meetings are kept by the Company, which are open for inspection by the Directors on reasonable notice.

For the year ended 31 December 2017, the board of director held 7 meetings in total. Individual attendance of each Director and committee member at the meeting held in total is as follows:

Board meetings	**Board meetings**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Meetings held	7	2	2	1
Executive Directors				
Mr. Chen Chengshou *(Chairman and Chief Executive Officer)*	7/7			1/1
Mr. Feng Cizhao	7/7			
Mr. Wong Thian Tsu Michael	7/7			
Non-executive Director				
Ms. Gao Qiaoqin	7/7			
Independent non-executive Directors				
Mr. Gu Jiong	7/7	2/2	2/2	1/1
Mr. Lo Wa Kei, Roy	7/7	2/2	2/2	
Mr. Fong Wo, Felix	7/7	2/2	2/2	1/1

Works Performed

During the Year under Review, besides attending the Board meetings to consider and make decision on corporate governance, risk management, statutory compliance, accounting, finance and business matters, the Directors had brought independent opinion and judgment on the Company's strategy, performance and standards of conduct; had taken the lead where potential conflicts of interests arose; had served on Board committees; endorsed on various corporate governance related matters and policies; had ensured that the Board maintained high standards of financial and other mandatory reporting; carried out reviews on matters reported by the Board committees, and had provided adequate checks and balance to safeguard the interests of shareholders in general and the Company as a whole. In addition, the Board delegates to the Company's management certain functions include the implementation of general daily operation, strategies approved by the Board, the implementation of internal control procedures and ensuring compliance with relevant requirements and other rules and regulations.

Each of the non-executive Directors has entered into a letter of appointment with the Company with a term of three years.

During the Year under Review, the non-executive Director and INEDs had actively participated in the Board meetings, brought independent judgment and given their comments to the information or reports submitted to the meetings.

Besides attending the Board or committee's meetings, in order to make timely decision and have effective implementation of the Company's policy and practice, the Board had also adopted written resolutions signed by all Directors to make decision on corporate affairs from time to time.

As part of the continuing process on supervising the Company's affairs, the Directors, acting through by the audit committee of the Company (the "Audit Committee"), had reviewed the adequacy of resources, qualifications and experience of the Company's accounting staff and financial reporting function.

Independent Non-executive Directors' Confirmation

The Company has received, from each INED, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered that all the INEDs are independent. The Company is in compliance with Rule 3.10 and Rule 3.10A of the Listing Rules relating to the INEDs.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chen is the chairman and the chief executive officer of the Company ("CEO"). The Group therefore does not separate the roles of the chairman and the CEO. The Board considered that Mr. Chen had in-depth knowledge and experience in the property investment and development industry and was the most appropriate person to manage the Group. Vesting the roles of both chairman and CEO in Mr. Chen has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and CEO of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Board Committees

The Board has established the Audit Committee, remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") with defined roles and terms of reference.

AUDIT COMMITTEE

Structure

The Company established the Audit Committee on 8 June 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision C.3.4 of the CG Code as set out in Appendix 14 to the Listing Rules. The updated terms of reference of the Audit Committee are adopted on 29 December 2015, and is available on the websites of the Hong Kong Stock Exchange and the Company. The primary duties of the Audit Committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

All the Audit Committee members possess diversified industry experience. The chairman of the Audit Committee has appropriate professional qualification, accounting or related financial management expertise as required by the Listing Rules.

As at the date of this annual report, the Audit Committee is made up of three INEDs, namely:

Mr. Lo Wa Kei, Roy *(Chairman)*
Mr. Gu Jiong
Mr. Fong Wo, Felix

Function

The Audit Committee's terms of reference can be found on the websites of the Company and the Hong Kong Stock Exchange. The major duties of the Audit Committee are summarized below:

i) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

ii) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

iii) to review the Company's financial controls, risk management and internal control systems, unless the risk committee otherwise under the Board or the Board itself has expressly dealt with it;

iv) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and

v) to consider and identify risks of the Group and consider effectiveness of the Group's decision making processes in crisis and emergency situations and approve major decisions affecting the Group's risk profile or exposure.

Conduct of Meetings

The Audit Committee shall meet at least twice each year. The Company prepares and delivers an information memorandum that includes all relevant information about the meetings to the Audit Committee members at least 3 days prior to such meetings. During the Year under Review, the Audit Committee members reviewed the information memorandum with due care and discussed with the Company's senior management during the meetings. Minutes drafted by the Company Secretary were circulated to the Audit Committee members for comments within a reasonable time after each meeting. Executed minutes were kept by the Company and copies of the minutes were sent to the Audit Committee members for records.

Works Performed

The works performed by the members of Audit Committee during the Year under Review are summarized as below:

i) reviewed and considered the accounts and consolidated financial statements of the Group for the annual and interim accounts;

ii) reviewed, discussed and agreed with the independent auditor in respect of the audit fee for the Year under Review; the terms of the engagement letters; the nature, scope of audit and reporting obligations for the Year under Review;

iii) reviewed and assessed the adequacy and effectiveness of the Group's financial reporting and controls, internal control procedures and risk management systems;

iv) reviewed the corporate governance practices and monitored the progress of compliance of the CG Code and its disclosure in the Corporate Governance Report;

v) reviewed the performance of the properties of the Group for the year ended 31 December 2017;

vi) review the continuing connected transactions to ensure that they are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements in respect of these continuing connected transactions;

vii) reviewed the adequacy of resources, qualifications and experience of the staff in accounting and financial reporting function, and the training programmers and budget; and

viii) discussed with independent auditor with respect to the accounting principles and practices adopted by the Group, compliance with the Listing Rules and other financing reporting requirements.

Overall, the Audit Committee is satisfied with the condition of the Company, including the corporate governance practices, internal control system, qualifications and experience of the staff in accounting and financial reporting function, and the training programmers.

One of the specific works vested upon the Audit Committee is to develop and review the Company's policies and practices on corporate governance. Upon reviewed by the Audit Committee and endorsed with approval by the Board, the main policy for the Company's corporate governance is to develop the Company itself as a sustainable and competitive company in the business sector in the interests of the Company and the Shareholders as a whole, with an aim for a prudent and profitable development and long term achievement of growth through the well-established corporate governance principles, risk monitoring management and practices. As a listed company in Hong Kong, the Company is obliged to follow the principles, code provisions and recommended best practices (if applicable) set forth in Appendix 14 to the Listing Rules as the substantial requirement on achieving a high corporate governance standard as well as a fundamental part of the corporate governance policy of the Company.

REMUNERATION COMMITTEE

Structure

The Remuneration Committee has been established on 8 June 2015 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and code provision B.1.3 of the CG Code as set out in Appendix 14 to the Listing Rules with the roles to assist the Board in reviewing and determining the framework or broad policy for remuneration packages of the Directors and senior management, overseeing any major changes in employee benefit structures and considering other topics as defined by the Board.

As at the date of this annual report, the Remuneration Committee is made up of three INEDs, namely:

Mr. Gu Jiong *(Chairman)*
Mr. Lo Wa Kei, Roy
Mr. Fong Wo, Felix

Function

The principal responsibilities of the Remuneration Committee are as follows:

i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedures for developing remuneration policy;

ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights, compensation payments (including any compensation payable for loss or termination of their office or appointment);

iii) to make recommendations to the Board on the remuneration of executive and nonexecutive Directors; and

iv) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company.

The Remuneration Committee's terms of reference can be found on the websites of the Company and the Hong Kong Stock Exchange.

The Remuneration Committee should consult the Chairman and/or Chief Executive Officer about their proposals relating to the remuneration of other executive Directors and have access to independent professional advice if considered necessary.

Works Performed

The works performed by the members of the Remuneration Committee during the Year under Review are summarized as below:

i) considered and made recommendations to the Board for endorsement of the remuneration policy of the Company (including the adoption of the share award scheme and the share option scheme) and letters of appointment of the Directors and senior management with major terms and conditions, to comply with the CG Code; and

ii) assessed performance of executive Directors and considered and made recommendations to the Board on the remuneration of the Directors and senior management for the Year under Review.

Pursuant to code provision B.1.5 of the CG Code, the five highest paid employees during the year included one director (2016: one director), details of whose remuneration are set out in note 8 to the financial statements. Details of the remuneration for the year of the remaining four (2016: four) highest paid employees who are neither a director nor chief executive of the Company are set out in note 9 to the financial statements. During the Year under Review, the remuneration paid to the senior management fell within the following band:

	2017 **RMB'000**	2016 RMB'000
Salaries, allowances and benefits in kind	**5,374**	3,257
Equity-settled share award expense	**–**	372
Pension scheme contributions	**276**	172
	5,650	3,801

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	2017	2016
Nil to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	–
	4	4

NOMINATION COMMITTEE

Structure

The Nomination Committee was established on 8 June 2015 with written terms of reference in compliance with code provisions A.5.2 and A.5.3 of the CG Code as set out in Appendix 14 to the Listing Rules with the role to lead the process and to make recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of challenges and opportunities facing the Company, as well as business development and requirements of the Company.

As at the date of this annual report, the Nomination Committee is made up of one executive Director and two INEDs, namely:

Mr. Chen Chengshou *(Chairman)*
Mr. Gu Jiong
Mr. Fong Wo, Felix

Function

The principal responsibilities of the Nomination Committee are as follows:

i) to review the structure, size and composition (including but not limited to gender, age, culture and education background, ethnicity, professional experience, skills, knowledge and service term, etc.) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy;

ii) to assess the independence of the independent non-executive Directors; and

iii) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer, taking into the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

Board Diversity Policy

The Nomination Committee has adopted a "Board Diversity Policy" for the nominations of Directors to achieve diversity on the Board. The Board deeply believes that the diversity will benefit a lot to the Company. To achieve the goal of sustainable and balanced development, the Company regards the increasing diversity to the strategic goals as the key element. The Board adheres to the principle "talent is priority", and appoints the directors who can contribute to the diversity of our Company. The Company devotes to find the most suitable people as the member of committee. The Company will base on the scope of diversity, not only including the education background, experience, skills, knowledge and term of appointment but also including (not limited to) gender, age, culture background and nationality. The final determination is that the contribution candidates can make. As at the date of the annual report, the information (including gender, age and term of appointment) of the Board is as follows:

Member	**Gender**	**Age**	**Term** (Note)
Mr. Chen Chengshou	Male	52	4 years and 2 months
Mr. Feng Cizhao	Male	43	2 years and 5 months
Mr. Wong Thian Tsu Michael	Male	57	1 years and 9 months
Ms. Gao Qiaoqin	Female	49	3 years and 9 months
Mr. Fong Wo, Felix	Male	67	2 years and 9 months
Mr. Gu Jiong	Male	45	2 years and 9 months
Mr. Lo Wa Kei, Roy	Male	46	2 years and 9 months

Note: till 29 March 2018

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

(A) at least one-third of the members of the Board shall be independent non-executive directors;

(B) at least one of the members of the Board shall have obtained accounting or other professional qualifications; and

(C) members of the Board shall consists of professional talents both from PRC and Hong Kong.

For the year ended 31 December 2017, the Board has achieved the measurable objectives in the board diversity policy.

The Nomination Committee will monitor the implementation and review this policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee's terms of reference can be found on the websites of the Company and the Hong Kong Stock Exchange.

Works Performed

The works performed by the members of Nomination Committee during the Year under Review are summarized as below:

i) considered and reviewed the policy, procedures and process and criteria for the nomination of the Directors and made recommendations to the Board for its endorsement; and

ii) reviewed the structure, size and composition of the Board and assessed on the independence of the independent non-executive Directors.

Management Functions

Basically, during the Year under Review, the Board and its committees were responsible on the following matters:

(i) oversee the general operations of the Company;

(ii) ensure effective implementation of the Board decisions and corporate governance, with the assistance of the Company Secretary;

(iii) ensure the short and long term sustainability of the business;

(iv) lead the performance of the management of the Company in meeting agreed goals and objectives and monitor the reporting of performance;

(v) provide coherent leadership to the Company;

(vi) satisfy itself on the integrity of financial information and on robustness and defensibility of the financial controls and systems of risk management and carry out review thereon;

(vii) scrutinize the performance of the management of the Company in meeting agreed goals and objectives and monitor the reporting of performance;

(viii) constructively challenge and help developing proposals on business strategy;

(ix) uphold high standards of corporate governance and compliance; and

(x) participate in the process of dealing with any conflict of interest between the Company and the Directors, his/her associates or substantial Shareholders who has material interest in the transaction with the Company.

CORPORATE GOVERNANCE REPORT

During the Year under Review, the management was mainly responsible for:

1. daily investment, management, operation and administration of the Company;

2. compliance with the rules and regulations, including the Listing Rules, as well as to implement corporate governance policy determined by the Board;

3. draw the Directors' attention on the new corporate governance requirements;

4. organize the Board and various meetings for the Directors' discussion;

5. prepare various reports to the Board for review and decision making; and

6. organize training for the Directors.

During the Year under Review, the management provided all members of the Board updates every two months in accordance with the code provision C.1.2 of the CG Code.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

All Directors had participated in continuous professional development to develop and refresh their knowledge and skills through suitable trainings. These trainings included but not limited to general disclosure duty related to Directors, guide on inside information disclosure, market misconduct framework, case analysis and other compliance trainings. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

All Directors have provided records of training attendance and the Company will continue to arrange and/or fund the training in accordance with the CG Code.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Lo Wa Kei, Roy (being the chairman of the Audit Committee), Mr. Gu Jiong and Mr. Fong Wo, Felix. The Company's consolidated interim and annual results and financial report for the Year under Review have been reviewed by the Audit Committee.

INDEPENDENT AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the remuneration paid or payable to the Company's independent auditor, Ernst & Young, was RMB2.35 million for audit services (approximately RMB2.2 million in 2016).

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year under Review as set out in this annual report have been agreed by the Group's auditor, Ernst & Young to the amounts set out in the Group's audited consolidated financial statements for the Year under Review.

FINANCIAL REPORTING

The Company aims to present a clear, balanced and understandable assessment of its financial position and prospects. Financial results are announced as early as possible, with interim report and annual report as well as other price-sensitive announcements and financial disclosures published as required under the Listing Rules.

The management provides explanation, information and progress update to the Board for it to make an informed assessment of the financial and other issues put before the Board for approval and consideration.

Throughout the Year under Review, the Directors had selected appropriate accounting policies and applied them consistently. The Directors acknowledge their responsibilities for preparing the financial accounts of the Group which give a true and fair view and are in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. A statement by the independent auditor about their reporting responsibilities for the Year under Review is set out in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and objectives

The Board acknowledges that it is the responsibility of the Board to maintain an adequate risk management and internal control systems and to review the effectiveness of such systems on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk management policy has been established to formalize the risk management of the Group, to build up a standard and effective risk management system, improve the ability of risk prevention, so as to ensure the Group is operating in a safety and steady environment, the operation management level could be increased and the Group's operational strategy and target could be achieved. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Board has delegated the work (with relevant authorities) of risk management and internal controls to the Audit Committee. For the year ended 31 December 2017, the Audit Committee, on behalf of the Board, oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Main features of the risk management and internal control systems

The Group's risk governance structure and the main responsibilities of each level of the structure are summarised below:

Board

- Determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;
- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

- Assists the Board to perform its responsibilities of risk management and internal control;
- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems at least once annually, which includes the reliability of financial reporting, operational effectiveness and efficiency, compliance with applicable laws and regulations, staff qualifications and experience, and adequacy of relevant budget, and such review should cover all material controls including financial, operational and compliance control;
- Ensures the adequacy of resources, staff qualifications and experience, training programmes and relevant budget of the Group's accounting, internal audit and financial reporting functions; and
- Considers major findings on risk management and internal control matters, and reports and makes recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;

- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;

- Monitors risks and takes measures to mitigate risks in day-to-day operations;

- Gives prompt responses to, and follow up the findings on risk management and internal control matters raised by the internal audit team or the external risk management and internal control review adviser; and

- Provides confirmation to the Board and Audit Committee (there is no risk management committee) on the effectiveness of the risk management and internal control systems.

Internal Control Team

- Reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and

- Reports to Audit Committee the findings of the review and make recommendations to the Board and management to improve the material systems deficiencies or control weaknesses identified.

- To review the risks of major investment development projects, and continuously improve the policies and standards for environmental control in accordance with the COSO internal control framework and the comprehensive risk management framework to ensure effective risk prevention and control; and

- Monitoring environment, risk assessment, monitoring activities, information and communication, and monitoring are the five major areas for the assessment of the Group's internal control system. The methods, identification, findings, analysis and results of the annual review have been reported to the Audit Committee and the Board.

Process Used to Identify, Evaluate and Manage Significant Risks

As a routine procedure and part of the risk management and internal control systems, Executive Directors and the senior management would meet at least once every month to review the financial and operating performance of each department. The senior management of the key operating subsidiaries is also required to keep Executive Directors informed of material developments of the department's business and implementation of the strategies and policies set by the Board on a regular basis.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and

- Considers the impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and

- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;

- Revises the risk management strategies and internal control processes in case of any significant change of situation; and

- Reports the results of risk monitoring to the management and the Board regularly.

CORPORATE GOVERNANCE REPORT

During 2016, the Group has engaged an independent professional adviser (the "Internal Control Adviser") to conduct the annual review of the effectiveness of the risk management and internal control systems and make recommendations of improvement. The management valued the recommendations, conducted review and adaptation measures to ensure the effective annual implementation and follow-up of each recommendation. Risk management and improvements have been reported to the Audit Committee. The scope of review during the Year under Review included review of revenue and receipt cycle, procurement and expenditure cycle, inventory cycle, property, plant and equipment cycle, taxation cycle, financial reporting cycle, risk management system and assessments and proposed amendments to information disclosure policy for operating subsidiaries of the Company. The Group therefore considered that the Group's risk management and internal control processes are adequate to meet the needs of the Company in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's risk management and internal control systems are inadequate.

Internal Audit Function

The internal audit department of the Company review the business activities and management behavior for the Group every half year, to identify the business risks, internal control defect, and offer improvement opinions and suggestions. During the Year under Review, the Company conducted a series of specific audit and work every half year, among other things, including:

- Financial capital audit
- The special project costs includes audit for developed projects and pre-audit assessment for projects to be developed
- Resignation audit
- Project contract audit
- Receivable audit
- Special projects evaluation
- Testing and modification for internal control system
- Testing and modification for risk management system

Information Disclosure Policy

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

AUDIT COMMITTEE'S AND BOARD'S REVIEW

The Audit Committee and the Board had reviewed the financial control, internal control and risk management systems of the Company for the Year under Review. It considered the risk management and internal control system effective and adequate as they allowed the Board to monitor the Group's overall financial position and to provide reasonable assurance that assets are safeguarded against unauthorized use or material financial misstatement; transactions were executed in accordance with management's authorization; and the accounting records were reliable for preparing financial information used within the business or for publication and reflecting accountability for assets and liabilities. Further reviews will be conducted on the request of any Audit Committee member, Company Secretary, or any Director.

COMPANY SECRETARY

The company secretary of the Company, Mr. Kam Chun Ying Francis ("Mr. Kam") directly reports to the chief executive officer and is responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, Mr. Kam has taken no less than 15 hours of relevant professional training for the year ended 31 December 2017.

CORPORATE GOVERNANCE REPORT

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company adopted an amended and restated memorandum and articles of association on 8 June 2015, which became effective on the Listing Date. Save as disclosed above, there had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2017.

SHAREHOLDERS' RIGHTS

The Company treats all shareholders equally with an aim to ensure that their rights can be fully exercised and their legitimate interests can be safeguarded and that the shareholders' general meetings can be convened and held in strict compliance with the relevant laws and regulations. The governing structures of the Company ensure equality among all shareholders, especially the minority shareholders and that they will undertake their obligations accordingly.

The procedures for convening general meetings by Shareholders

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The procedures for putting forward proposals at Shareholders' meeting

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "The procedures for convening general meetings by Shareholders".

The procedures for Shareholders of the Company to propose a person for election as a Director

Pursuant to Article 113 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

If you want to know the details on the procedures for Shareholders to propose a person for election as a Director, please visit our website.

SHAREHOLDERS COMMUNICATION POLICY

1. PURPOSE

1.1 This policy aims to set out the provisions with the objective of providing Shareholders with information about the Company and enabling them to engage actively with the Company and exercise their rights as Shareholders in an informed manner.

2. GENERAL POLICY

2.1 Information shall be circulated to Shareholders through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the (i) corporate communication documents including, but not limited to, copy of annual reports, interim reports, notices of meetings, circulars, proxy forms ("Corporate Communication"); (ii) other documents issued by the Company which are published on the website of the Main Board of the Hong Kong Stock Exchange for the information or action of holders of any of its securities, including announcements, monthly returns on movements in the Company's securities for each month and next day disclosure returns; (iii) constitutional documents of the Company and board committees; (iv) corporate information including list of Directors of the Company ("Directors"); and (v) other corporate publications including the procedures Shareholders can use to propose a person for election as a Director on the Company's website.

2.2 Effectively and timely dissemination of information to Shareholders shall be ensured at all times. Any question regarding this policy shall be directed to the Company Secretary or the Board of Directors of the Company.

3. COMMUNICATION STRATEGIES

Shareholders' Enquiries

3.1 Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at Units 2610, 26/F., North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company Secretary is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the CEO of the Company.

3.2 Shareholders will be provided with the information of designated contact person, e-mail address and hotlines for their queries.

Corporate Communication

3.3 Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding.

Corporate Website

3.4 A dedicated "Investor Relations" section is available on the website of the Company (http://www.xinm.com.cn). Information on the website of the Company will be updated on a regular basis.

3.5 Information released by the Company to the Hong Kong Stock Exchange is also uploaded on the website of the Company immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents.

Shareholders' Meetings

3.6 Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

3.7 Appropriate arrangements for the annual general meetings shall be in place to encourage shareholders' participation.

3.8 The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are met.

3.9 Board members (especially the Chairman or the representative of the Board Committee), appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

4. SHAREHOLDER PRIVACY

4.1 The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

INVESTOR RELATIONS

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the Shareholders, including institutional investors, is crucial. The Company considers good investor relations as a key part of its operations and continues to promote investor relations and enhances communications with the investors.

The Company maintains a corporate website (http://www.xinm.com.cn) to make the corporate information available on the internet to facilitate its communication with Shareholders and to provide important information to the investing public, including corporate governance structure and terms of reference of Board committees.

The Company welcomes suggestions from investors and Shareholders, and invites them to share their views and suggestions at team@mindmaxcomm.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW AND SCOPE

Xinming China Holdings Limited ("the Company" or "Xinming China" or "we") (stock code: 02699) is pleased to publish the "Environmental, Social and Governance Report 2017" (the "Report"), together with its subsidiaries (collectively referred to as the "Group") are an integrated developer of residential and commercial properties and currently the Group is developing 16 property development projects in areas such as Shanghai, Chongqing, Taizhou, Tengzhou and Hangzhou.

The business in the Hangzhou area in 2017 accounted for a large proportion of the Group's overall business. Therefore, the Report will focus on the relevant projects and activities of the Group's Hangzhou area including:

- The Group's head office in Hangzhou
- Hangzhou Xinming Property Limited ("Hangzhou Xinming") Office
- Hangzhou Xinming and its property development business – Hangzhou "Babini" ("Babini"). Hangzhou Babini is a key project of the Group this year. This project is Hangzhou's first children's theme integrated commercial complex. The project is located in the third city center of Hangzhou, on the edge of the canal shopping district. It has a total construction area of 110,000 sq.m.. It covers children shopping malls, children's theme cinemas, children's hotels, children's food street, early childhood education training and other formats. Hangzhou Babini's way of creating a gorgeous children's world fashion stage by bringing together famous brands at home and abroad to provide a new leisure lifestyle for the community and lead the fashion trend. The project is located in Gongshu District, Hangzhou City. The east side is the Jinghang canal, and the south side is the canal water and land transportation service center. The main project includes a 2-storey underground garage, 2 21-storey office buildings and 3 commercial buildings. The general contractor and construction unit is Yuanyang Holdings Group Co., Ltd. ("Yuanyang Group"[1]).

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1 In FY2017, since the Group's executive Director Mr. Chen Chengshou's brother Mr. Zheng Xiangtian held 90% equity interest in Zhejiang Xinming Trading and which held 51% equity interest in Yuanyang Group. Therefore, according to the requirements of the Listing Rules, Yuanyang Group was the connected person of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guidelines" in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. For the section of corporate governance, please refer to Corporate Governance Report section of this annual report.

REPORTING PERIOD

The reporting year of the Report covered the period from 1 January 2017 to 31 December 2017 (the "FY2017").

COMMUNICATING WITH STAKEHOLDERS

We believe that grasping the view of stakeholder can bring long-term growth and lay a solid foundation for the success to the Group. We provide a variety of communication channels for stakeholder in different fields, including customer, employee, business partner, shareholder, supplier, government, and the entire community, such as annual general meeting, symposium, training, site visit, conference, group intranet and corporate website that provide them with the opportunity to express their opinions on our sustainability performance and future strategies.

The information collected through different channels of communication is the basis of the Report. To enhance the company's performance in the future sustainable development of the business, you are welcomed to provide your opinion. We believe we can provide stakeholders with more valuable report every year. Please send your comments by email to team@mindmaxcomm.com.

CORPORATE HONOR OF THE YEAR

Honor	Issuing unit	Date
2017 Outstanding Children's Real Estate Company with Chinese Characteristics in Real Estate Operations	Co-issued by China Index Research Institute, Enterprise Research Institute of Development Research Center of the State Council, and Institute of Real Estate of Tsinghua University	March 2017
2017 China Outstanding Representative Project in Child-Centric Real Estate	Co-issued by China Index Research Institute, Enterprise Research Institute of Development Research Center of the State Council, and Institute of Real Estate of Tsinghua University	March 2017
2017 China's Top 10 Commercial Real Estates in Brand Value	Co-issued by China Index Research Institute, Enterprise Research Institute of Development Research Center of the State Council, and Institute of Real Estate of Tsinghua University	September 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

During the construction process, property developers and construction companies must take measures to prevent air pollution, noise emissions, and water and waste discharge. Since we outsourced construction projects to third-party contractors, the environmental KPI data on the project could not be collected for disclosure, however, we regularly inspect the construction site and ask our contractors to promptly correct the places that need improvement. According to the terms of the construction contract, the contractor must comply with the relevant Chinese laws and regulations regarding environmental protection and safety. After the completion of the construction project, we must apply to the relevant government authority for the acceptance of environmental issues. Only the property development projects that have passed the relevant acceptance can be delivered to the customers. All of our completed properties have passed the inspection of environmental protection agencies and we have obtained relevant environmental assessment approvals for the properties under development. We will continue to comply with China's relevant environmental laws and regulations and hire only construction contractors with good environmental protection and safety track record.

Our emissions mainly included carbon dioxide (CO2), non-hazardous solid waste, and sewage. In FY2017, the Group in Hangzhou did not have major direct greenhouse gas emissions (Scope 1). Indirect greenhouse gas emissions (Scope 2) was about 684 tons, which approximately equal to the greenhouse gas density 4.16 kg CO2 equivalent/1000 m^2. The total power consumption in FY2017 was 971,905 kWh, which was equivalent to the power density 5,912 kWh/m^2.

Prevent Air Pollution

During construction, due to the opportunity to pile up construction materials in open areas, such as sand, cement, etc., dust from construction sites will cause air pollution. The contractor will use a dust detector to monitor the dust data at the site. Our dust control facilities include mobile sprinklers, moving fog guns, tower crane sprays, etc., and ensure that the “five 100%” of dust prevention and control is in place, including:

- 100% closed fence at construction site
- Site exposed sand 100% coverage
- 100% hardening of construction road yard
- 100% flushing of trucks entering and leaving the construction site
- External scaffolding 100% installation

In addition, in order to reduce the demand for traditional energy and reduce emissions, our construction projects set up temporary solar lighting systems and air heat pumps to be used during construction. Since the air heat pump does not have a cooling water system, there is no cooling water consumption and there is no power consumption of the cooling water system. It also reduces the risk of Legionella infection due to cooling water contamination. At the same time, there is no pollution to the environment because there is no need for boilers, no corresponding boiler fuel supply system, dust removal system and smoke exhaust system. Our Hangzhou office already uses light-emitting diode lamps ("LED"), hoping to promote environmental protection through resource efficiency.

Reduce Noise Pollution

We conduct noise monitoring on construction projects. Each environmental protection officer fills in and saves the test results on a monthly basis.

If there is a need to work at night, a night construction permit will be applied and an announcement will be made to the residents around the site.

Sewage Disposal

In terms of discharging sewage, our project design is to use indoor drainage, sewage and waste separation system will be used. Domestic sewage is treated in outdoor septic tanks. The oily wastewater from kitchens and canteens will be discharged into the outdoor waste pipe after being processed by grease traps. After being merged with domestic sewage, and then will be discharged into the municipal sewage pipe and transported to the urban sewage treatment plant. After being processed and met the standard, it will be discharged into the Qiantang River, which will not affect the canal. Currently, the Group has no problems with water resources. The total water consumption for the Group in Hangzhou for FY2017 was as follows:

Total water consumption (m^3)	24,740
Water consumption density (m^3/1000 m^2)	150.49

Waste Management

The main waste generated during the construction period is construction waste and household waste, which does not involve hazardous waste or packaging. The waste and living garbage will be piled up and organized in a timely manner. If the basic excavation works are involved, the contractor will arrange for a timely outward transportation and the temporary stack height will not exceed 1.5 meters. Since we outsourced the construction work to a third-party contractor, the waste data on the construction project could not be collected and disclosed.

The wastes mainly generated by the head office of Hangzhou of the Group and Hangzhou Xinming Office are waste paper and household waste. To reduce the use of paper, we take the following measures:

- The waste paper is disposed free of charge to the cleaning staff. The cleaning staff will sell the waste paper to the person who recycles the waste paper. The proceeds from selling the paper will be owned by the cleaning staff.
- Upload important information to web pages for browsing, and use WeChat public number to spread the company information for public
- Encourage employees to use drafted paper and double-sided printing
- Encourage employees to communicate through electronic means such as email and WeChat to reduce paper consumption
- Encourage employees to bring their own cups and minimize the use of disposable cups

The total amount of waste paper of the Group's Hangzhou Head Office and Hangzhou Xinming Office for FY2017 was as follows:

Waste paper volume (tons)	0.69
Waste paper density (kg/m^2)	4.17

Law Compliance

The Group is committed to complying with all laws and regulations related to environmental protection. During FY2017, the Group did not aware of any material violation of laws and regulations related to environmental protection.

SUPPLY CHAIN MANAGEMENT AND QUALITY CONTROL

Our main suppliers are construction contractors and construction material suppliers. We outsourced all project construction to eligible third-party construction contractors. The construction contractors can undertake various types of projects, including foundation excavation, main structure construction, equipment installation and engineering operations. We believe that outsourcing our construction projects allows us to use the expertise of the construction contractor and minimize certain risks, such as risks from fluctuations in the cost of certain raw materials. It also allows us to focus on our main business, namely property development. We engaged contractors for construction projects through tendering procedures in accordance with relevant Chinese laws and regulations.

The tendering and bidding team of the head office's cost management department will formulate tender terms and will be responsible for evaluating and selecting contractors. In the process of selecting a construction contractor, we will conduct a detailed assessment of the construction contractor and its bidding documents. We will consider various factors including the scale and qualification of the contractor, the reputation of the contractor, the track record and quotations of similar projects.

The Group places emphasis on the quality and cost control of various real estate projects. Currently, our construction contractors are responsible for purchasing most of the construction materials for our property development projects, such as steel and cement. We generally provide the contractor with specifications about the construction and request the contractor to purchase from a selected set of brands or manufacturers. Our cost management department closely monitors the construction materials used by the contractor and the costs incurred. If relevant PRC laws and regulations require contractors to purchase certain types of construction materials through tendering, we generally require the relevant contractor to include our selected brand or manufacturer in the bidding documents. We will also observe the tendering process to ensure that selected construction material suppliers which possessed acceptable qualifications.

We are responsible for the direct purchase of certain construction materials such as doors and windows, air conditioning systems and elevators. Our construction materials are mainly sourced from suppliers in China, in FY2017, Hangzhou Xinming has 134 qualified suppliers in China. To ensure the consistency of quality, we have a database for collecting supplier information (such as service quality and pricing), and we regularly review and update the relevant databases. We believe that the database will help us better assess the qualifications of our suppliers and provide a useful reference for our future projects. In addition, to ensure the quality, during the preliminary planning stage, our cost management department will establish a series of progress control indicators related to cost, quality and construction progress according to the total construction cost budget. During the construction, our chief staff is responsible for supervising the construction quality, progress, and controlling the budget of each project and will conduct site visit on a monthly basis. Pre-inspection of construction materials prior to use in the project and supervision of construction progress based on previously established progress indicators. Our chief staff will also review all projects under construction every year to ensure the costs, quality and progress of construction are satisfied. Our chief staff team consists of qualified engineers and construction technicians with extensive industry experience.

In order to comply with Chinese laws and regulations, we have also engaged construction supervision companies to supervise certain aspects of our project construction in accordance with relevant laws and regulations. According to our construction supervision contract, these companies are responsible for supervising the quality of our project construction and must report the progress and quality of the project regularly. If there are any quality problems with the construction materials or construction processes, these companies have the right to suspend the construction works with our consent.

PROPERTY AFTER-SALES SERVICE

In order to further gain the trust of our customers, we provide customers with warranty period on the construction quality of the property development projects and certain equipment and facilities. All warranty periods begin on the date of delivery of the relevant property, ranging from 1 year to 5 years, depending on the type of work. According to the "Construction Project Quality Management Regulations" and related regulations, the scope of quality warranty includes foundation engineering, main structure engineering, level waterproofing works, toilets with waterproof requirements, anti-leakage of rooms and exterior walls, heating and cooling systems, drainage pipes, equipment installation and renovation projects, etc. We will not provide warranty for defects caused by third parties or improper use and defects caused by natural disasters. Our construction contractor is responsible for guaranteeing the costs associated with the quality standards and related maintenance works. During FY2017, we were not involved any material claims or received any complaints because the quality of our building structures or other equipment that cannot be remedied by the relevant contractor under the warranty provisions of their respective contracts.

In addition, we strictly respect the laws and regulations of the "Advertising Law of the People's Republic of China" in the process of external propaganda. We do not allow false propaganda and do not mislead consumers. Our brand image and customer satisfaction have continued to rise in recent years. In September 2017, we have won the honor of "China Commercial Real Estate Brand Value TOP10" for two consecutive years, which shows that customers' satisfaction with us has increased continuously.

In Compliance with the Law

During FY2017, we have not found any material illegality in relation to the health and safety, advertising, labelling and privacy issues and remedies of the Group's products and services.

OUR EMPLOYEES

We believe that high-quality employees who value our corporate culture are the core elements of our future sustainable development. We endeavor to become a company that attracts and retains outstanding talents. We create a fair and tolerant work environment where colleagues are treated with courtesy. Everyone can feel entitled to pursue personal ideals and career goals.

We strictly sign labor contracts with employees according to the "Labor Contract Law" and related laws and regulations. We focus on protecting employee rights:

- We are committed to all matters relating to human resources, including recruitment, training, promotion, transfer, remuneration, etc., regardless of the employee's gender, disability, family status, marital status, pregnancy, race, religion, age, nationality, and sexual orientation, the Company will provide equal opportunities. There is no discriminatory provision that violate the principle of "gender, ethnicity, marriage and childbirth, religion, etc." in recruitment;

- We are also committed to providing a work environment free from discrimination, harassment and slander to employees;

- We are committed to safeguarding basic human rights and prohibit the use of child labor in our workplaces or supply chains. The working ages of all of our employees are complied with the requirements of the Labor Law, and we firmly reject person who have not reached the legal working age;

- Signing labor contracts with employees on an equal and voluntary basis and eliminites forced labor. If relevant violations are found, the unlawful employment relation will be immediately terminated and violation will be investigated and related personnel will be accountable for the violation;

- Providing a comprehensive welfare program for employees. Paying various insurance and provident funds for employees according to the law and providing meals and communication subsidies;

- Providing holidays subsidies according to statutory regulation to enhance employees' sense of belonging;

- Organizing employees' birthday celebration and travel to provide employees with work-life balance, and enhance their sense of belonging and teamwork;

- In terms of incentive mechanism, employees are regularly assessed for performance annually. Employees' annual bonuses are distributed according to the assessment and employee share award plans are set up to stimulate employees' enthusiasm for work;

During FY2017, the Group employed a total of 60 employees in Hangzhou, of which 50% are female and 50% are male.

By contract type	**Number of individuals**
Full-time	57
Part-time	3

By employment type	**Number of individuals**
Senior management	11
Middle management	14
General and technical personnel	35

By age	**Number of individuals**
21 - 30	14
31 - 40	30
41 - 50	11
51 - 60	4
Over 60	1

By staff	Percentage
Senior management	20%
Finance	18%
Administration	23%
Selling and marketing	15%
Cost control	17%
Construction and Engineering	7%

MAINTAIN A SAFE AND HEALTHY WORKPLACE

As a property developer, we face limited potential liability for workers on our construction site because most of the responsibility is borne by the construction contractor. General contractors and construction companies are responsible for the safety control of the construction process and must purchase accidental insurance for their construction personnel.

Nevertheless, we value the lives of every person. Our employee handbook contains policies and procedures for work safety and occupational health issues. At the same time, we also require the contractor to strictly abide by a set of clear health and safety guidelines to avoid casualties on the site. The health and safety risks of some site operations are relatively higher, but risks can be minimized by promoting correct construction procedures and avoiding accidental methods with workers. Therefore, before formal construction, workers are required to participate in mandatory health and safety training, covering various issues involved in different phases of the project, including safely use of lifting appliances, high-altitude operation, manual operation, safety management and site management. In order to strengthen the safe production and civilized construction management at the construction site and prevent the occurrence of casualties, we also need to closely keep in touch with the contractor and set up civilized construction management team to regularly inspect construction sites and carry out on-site inspections every month to ensure that safety measures are met. Furthermore, we will also arrange our staff to visit professional hospitals annually for medical examinations and medical training.

During FY2017, the Group's Hangzhou area did not record major safety incidents or deaths due to work.

PROMOTE PROFESSIONAL AND TALENT DEVELOPMENT

Apart from identifying and retaining outstanding talents, the Group also provides employees with the opportunity to enhance their knowledge and skills. It will not only help to develop, but also strengthen the Group and succeed in the fierce competition. We have cultivated a lifelong learning culture and encouraged employees at all levels to pursue further studies in order to enhance their skills, knowledge and qualifications. The Group offers a wide range of training types, including:

- On-the-job training: we have Xinming Business School, established by the Advanced Training Center of the School of Economics of Zhejiang University and Xinming China, and provide professional skills training for various positions every year.

- Online training: we have Xinming Enterprise Network College. Staff of each department can log in at any time on the computer and mobile terminal.

- Training Plan for new employee: introducing our corporate culture, systems, and management structure to our new employees to ensure new employees can efficiently meet different job needs.

- Training subsidies: encourage employees to participate in different training courses to promote the development of job-related skills and knowledge.

During FY2017, the total number of training hours for the Group's employees in Hangzhou is 255 hours, and the average number of training hours per employee is 8 hours. We plan to continue to attract, retain and motivate employees with skills and talents through various measures including through different types of training courses, competitive remuneration packages and effective performance evaluation and incentive systems.

LABOR STANDARDS

We are committed to safeguarding basic human rights and prohibit the use of forced labor and child labor in our workplaces or supply chains. The working ages of all of our employees are complied with the requirements of the Labor Law, and we firmly reject person who have not reached the legal working age.

Law Compliance

During FY2017, The Group has not found any illegal activities that have a significant impact on the Group in terms of employment and labor practices, occupational safety and health, or any incidents involving the use of child labor or forced labor.

ANTI-CORRUPTION

The integrity and reliability of employees is one of our important factors. We prohibit any corruption and bribery in work and business dealings. Any employee must perform work with integrity and ethical business conduct and comply with applicable laws and regulations in the country in which the group operates. This includes legislation on the prevention of bribery.

We have established a code of conduct to regulate the daily work behavior of employees. At the same time, we also have a reporting channel where all employees are welcomed to report any suspicion of misconduct, fraud, and improper or unfair and immoral treatment. According to the mechanism, we will investigate all cases quickly and comprehensively.

Law Compliance

During FY2017, the Group has not found any irregularities related to bribery, extortion, fraud and money laundering and has had a significant impact on the Group.

BEWARE OF DATA LEAKAGE

We are committed to protecting the personal data of our customers. All customer data are managed in a unified manner. Employees are required to handle customer data carefully and can only read customer data when necessary. During FY2017, we are not aware of any serious violations of the rules and regulations regarding the use of personal data.

COMMUNICATING WITH THE COMMUNITY

Fengshuling Town Center Kindergarten

Children are the hope of the country and society. It is of great significance to improve children’s educational facilities and increase education support. After a comprehensive survey of the status quo in Fengshuling Town, we have found problems in the educational facilities in Fengshuling Town, especially for childish education. For example, the Kindergarten lacks space for outdoor activities. Therefore, we chose this work as the focus of our own actions and invested RMB200,000 for the construction of kindergarten sun room which has increased children's outdoor activities space. In addition to capital investment, we will also use our own children's industrial resources as support, through a number of follow-up activities to help practice the concept. For example, reading books donations, children's feature friendship activities, etc., to continue to improve the soft quality of kindergarten preschool education.

INDEPENDENT AUDITORS' REPORT

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the shareholders of Xinming China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Xinming China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 93 to 185, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Xinming China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for completed properties held for sale and properties under development	
As at 31 December 2017, completed properties held for sale and the related impairment provision amounted to approximately RMB633 million and RMB21 million, properties under development and the related impairment provision amounted to approximately RMB199 million and RMB36 million, respectively. The balance of the provision was material to the financial statements. The assessment was made by management in evaluating whether the carrying values were lower than the net realizable values of completed properties held for sale and properties under development. The management involved the external appraiser to assess the net realizable values when impairment indicators occurred for completed properties held for sale and properties under development. The related accounting policies and disclosures are included in notes 2.4, 3 ,18 and 19 to the consolidated financial statements.	We checked management's assessment of impairment indicators against historical information and turnover rate. We evaluated the competency and objectivity of the external appraiser engaged by the Company. We involved our internal valuation experts to assist us in the assessment of the methodology and key valuation parameters adopted by the external appraiser for completed properties held for sale and properties under development. We also assessed whether the estimated selling prices were based on the existing contracts or based on the comparable properties in the market. Furthermore, we evaluated management's estimation methodology about future cost of completion of properties under development.

To the shareholders of Xinming China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 December 2017, investment properties amounted to approximately RMB3,054 million, and represented 45% of the total assets of the Group, which were material to the financial statements. Investment properties of the Group were stated at fair value and the changes in fair values of investment properties were recorded in profit or loss. It was the Group's policy that investment properties valuations should be performed by an external appraiser twice a year. The valuation of the investment properties involved significant judgement. The accounting policies and disclosures for the valuation of investment properties are included in notes 2.4, 3 and 16 to the consolidated financial statements.	We assessed the objectivity, competence, independence and expertise of the external appraiser. We involved our internal valuation specialists to assist us in the assessment of valuation approach and the key assumptions used, which included the market monthly rental rate, term yield, reversion yield, long term vacancy rate, discount rate. We also tested the underlying key estimations and assumptions through enquiry with management and by selecting samples to check against historical information and open market information.
Provision for land appreciation tax ("LAT")	
The subsidiaries of the Group that are engaged in property development are subject to land appreciation tax ("LAT"). For the year ended 31 December 2017, an LAT provision of approximately RMB72 million was estimated and recorded in accordance with the relevant PRC tax laws and regulations, which was material to the financial statements. LAT provision was based on the estimation and judgement of the management understanding on the tax laws and regulations. Furthermore, it could only be finalised upon the completion of the relevant property development projects and the final determination of tax by the tax authorities. The accounting policies and disclosures for the provision for LAT are included in notes 3 and 10 to the consolidated financial statements.	We obtained an understanding of the key management controls related to LAT provision. We involved our internal tax specialists to assist us in the assessment of LAT provision prepared by the management, including the estimates and assumptions used by management. We also recalculated LAT provision by testing the underlying data, including estimated total sales, properties development cost, borrowing cost and tax rates used to evaluate LAT provision.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Xinming China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

To the shareholders of Xinming China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

To the shareholders of Xinming China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Siu Fung, Terence.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Represented)
CONTINUING OPERATIONS			
REVENUE	5	**1,888,193**	642,680
Cost of sales		**(1,168,338)**	(294,840)
Gross profit		**719,855**	347,840
Other income and gains	5	**163,308**	5,815
Selling and distribution costs		**(172,762)**	(94,250)
Administrative expenses		**(80,321)**	(82,722)
Other expenses		**(107,364)**	(28,414)
Changes in fair value of investment properties		**28,159**	59,396
Finance costs	6	**(6,626)**	(55)
PROFIT BEFORE TAX	7	**544,249**	207,610
Income tax expense	10	**(317,441)**	(179,437)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR FROM CONTINUING OPERATIONS		**226,808**	28,173
DISCONTINUED OPERATION			
Profit/(loss) and total comprehensive income/(loss) for the period from a discontinued operation	11	**1,842**	(1,153)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**228,650**	27,020
ATTRIBUTABLE TO:			
Owners of the parent		**242,278**	10,211
Non-controlling interests		**(13,628)**	16,809
		228,650	27,020
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
– For profit for the year (RMB)		**0.13**	0.01
– For profit from continuing operations (RMB)		**0.13**	0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**6,918**	9,656
Available-for-sale investment	15	**1,500**	–
Investment properties	16	**3,053,776**	3,074,014
Deferred tax assets	17	**82,659**	82,182
		3,144,853	3,165,852
CURRENT ASSETS			
Properties under development	18	**1,031,980**	2,085,458
Completed properties held for sale	19	**1,693,261**	1,305,659
Trade receivables	20	**74,073**	81,756
Due from other related parties	40	**–**	27,872
Prepayments, deposits and other receivables	21	**121,401**	210,172
Tax recoverable		**30,366**	41,726
Restricted deposits	22	**2,402**	503,082
Cash and cash equivalents	22	**655,256**	465,613
		3,608,739	4,721,338
CURRENT LIABILITIES			
Trade payables	23	**348,833**	708,389
Other payables and accruals	24	**556,865**	430,851
Advances from customers	25	**386,927**	652,021
Due to other related parties	40	**18,647**	9,768
Interest-bearing bank loans and other borrowings	26	**1,112,201**	1,544,545
Provisions	27	**1,098**	1,097
Tax payable	28	**882,069**	708,205
		3,306,640	4,054,876
NET CURRENT ASSETS		**302,099**	666,462
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,446,952**	3,832,314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	26	**941,850**	1,464,914
Provisions	27	**1,032**	2,408
Other liabilities	29	**4,446**	17,158
Deferred tax liabilities	17	**417,578**	407,294
		1,364,906	1,891,774
NET ASSETS		**2,082,046**	1,940,540
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**14,880**	14,880
Reserves	32	**1,953,601**	1,745,275
		1,968,481	1,760,155
Non-controlling interests		**113,565**	180,385
TOTAL EQUITY		**2,082,046**	1,940,540

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent								
	Issued capital RMB'000 (Note 30)	Share premium* RMB'000	Merger reserve* RMB'000 (Note 32)	Capital reserve* RMB'000 (Note 32)	Reserve regarding share award scheme* RMB'000 (Note 31)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1 January 2016	14,891	497,358	81,491	(28,267)	–	1,182,147	1,747,620	162,581	1,910,201
Acquisition of non-controlling interests	–	–	–	(995)	–	–	(995)	995	–
Shares repurchased	(11)	(1,203)	–	–	–	–	(1,214)	–	(1,214)
Equity-settled share award scheme	–	–	–	–	4,533	–	4,533	–	4,533
Profit and total comprehensive income for the year	–	–	–	–	–	10,211	10,211	16,809	27,020
At 31 December 2016 and 1 January 2017	**14,880**	**496,155**	**81,491**	**(29,262)**	**4,533**	**1,192,358**	**1,760,155**	**180,385**	**1,940,540**
Acquisition of non-controlling interests	**–**	**–**	**–**	**(34,308)**	**–**	**–**	**(34,308)**	**(53,192)**	**(87,500)**
Disposal of a subsidiary	**–**	**–**	**–**	**356**	**–**	**–**	**356**	**–**	**356**
Profit and other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**242,278**	**242,278**	**(13,628)**	**228,650**
At 31 December 2017	**14,880**	**496,155**	**81,491**	**(63,214)**	**4,533**	**1,434,636**	**1,968,481**	**113,565**	**2,082,046**

* These reserve accounts comprise the consolidated reserves of RMB1,953,601,000 (2016: RMB1,745,275,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**544,249**	207,610
From a discontinued operation		**1,842**	(1,153)
Adjustments for:			
Depreciation		**2,563**	3,908
Changes in fair value of investment properties	7	**(28,159)**	(59,396)
Foreign exchange gain or loss	7	**22**	(1,105)
Bank interest income		**(582)**	(3,469)
Gain on disposal of items of property, plant and equipment	7	**(15)**	(197)
Gain on disposal of an investment property	7	**(90,336)**	–
Gain on disposal of properties under development	7	**(43,961)**	–
Gain on disposal of a subsidiary	7	**(28,046)**	–
Provision for impairment of properties under development	7	**36,259**	–
Provision for impairment of completed properties held for sale	7	**–**	14,843
Realisation of onerous operating leases	7	**(1,599)**	(270)
Additional provision for onerous operating leases	7	**–**	2,858
Provision for impairment of trade receivables	7	**4,666**	5,859
Finance costs	6	**6,626**	55
Equity-settled share award expense		**–**	4,533
		403,529	174,076
Decrease in trade receivables		**2,963**	45,543
Decrease in prepayments, deposits and other receivables		**3,885**	79,926
(Decrease)/increase in advances from customers		**(260,368)**	438,989
Decrease in trade payables		**(359,485)**	(361,860)
(Decrease)/increase in other liabilities		**(12,712)**	7,523
Increase in other payables and accruals		**75,204**	140
Decrease/(increase) in properties under development and completed properties held for sale		**732,298**	(105,329)
Increase in investment properties		**–**	(17,702)
Decrease/(increase) in amounts due from other related parties		**27,525**	(23,749)
Increase/(decrease) in amounts due to other related parties		**10,253**	(4,578)
Decrease/(increase) in restricted deposits		**500,680**	(1,754)
Cash generated from operations		**1,123,772**	231,225
Tax paid		**(122,753)**	(72,997)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,001,019**	158,228

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(111)**	(560)
Proceeds from disposal of items of property, plant and equipment		**108**	340
Proceeds from disposal of an investment property		**138,733**	–
Proceeds from disposal of properties under development		**81,180**	–
Disposal of subsidiaries		**(710)**	–
Purchases of an available-for-sale investment		**(1,500)**	–
Bank interest income		**582**	3,469
NET CASH FLOWS FROM INVESTING ACTIVITIES		**218,282**	3,249
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased	30	**–**	(1,214)
Interest paid		**(146,302)**	(189,887)
New interest-bearing bank loans and other borrowings		**1,007,000**	726,460
Decrease/(increase) in other receivables		**64,788**	(26,303)
Increase in other payables		**7,286**	78,829
Repayment of interest-bearing bank loans and other borrowings		**(1,962,408)**	(715,081)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(1,029,636)**	(127,196)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**189,665**	34,281
Cash and cash equivalents at beginning of year		**465,613**	430,227
Effect of foreign exchange rate changes, net		**(22)**	1,105
CASH AND CASH EQUIVALENTS AT END OF YEAR		**655,256**	465,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

1. CORPORATE AND GROUP INFORMATION

Xinming China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 16 January 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal activity of the Company is investment holding. The Group were mainly involved in property development, property leasing and the provision of property management services in 2016 and 2017. As disclosed in note 11, the Group discontinued its business of provision of property management services on 26 July 2017. In the opinion of the directors of the Company, the ultimate holding company of the Company is Xinxing Company Limited. The ultimate controlling shareholder of the Group is Mr. Chen Chengshou (the "Controlling Shareholder").

The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 July 2015.

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name of company	Date and place of incorporation/registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinming Capital Limited*1 ("Xinming Capital")	17 January 2014 The British Virgin Islands	USD50,000	100%	–	Investment holding
Xinming China Investment Limited*2 ("Xinming Hong Kong")	4 February 2014 Hong Kong	HKD1,000,000	–	100%	Investment holding
Hangzhou Times Enterprise Management Consulting Limited*3 ("Hangzhou Times")	9 April 2014 PRC/Mainland China	RMB30,000,000	–	100%	Investment holding
Xinming Group Holding Limited*4 ("Xinming Group")	5 November 2012 PRC/Mainland China	RMB50,000,000	–	100%	Investment holding
Taizhou City Xinming Real Estate Development Company Limited*4 ("Taizhou Xinming")	12 February 2007 PRC/Mainland China	RMB10,000,000	–	100%	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

INFORMATION ABOUT SUBSIDIARIES (Continued)

Name of company	Date and place of incorporation/registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Taizhou Xinming Property Investment Limited*4/5 ("Taizhou Investment")	12 September 2008 PRC/Mainland China	RMB30,000,000	–	100%	Property development and property investment
Taizhou Wenshang Times Property Limited*4 ("Wenshang Times")	13 January 2010 PRC/Mainland China	RMB50,000,000	–	100%	Property development and property investment
Shanghai Xinming Global Property Limited*4 ("Shanghai Xinming")	29 April 2011 PRC/Mainland China	RMB50,000,000	–	79%	Property development and property investment
Chongqing Xinming Property Company Limited*4 ("Chongqing Xinming")	16 November 2012 PRC/Mainland China	RMB100,000,000	–	95%	Property development and property investment
Shandong Xingmeng Property Limited*4 ("Shandong Xingmeng")	24 October 2011 PRC/Mainland China	RMB50,000,000	–	75%	Property development and property management
Hangzhou Xinming Property Investment Limited*4 ("Hangzhou Xinming")	28 March 2014 PRC/Mainland China	RMB50,000,000	–	100%	Property development and property management
Zhejiang Rongyi Business Management Limited*4 ("Zhejiang Rongyi")	21 October 2015 PRC/Mainland China	RMB10,000,000	–	65%	Business management
Shanghai Rongkun Business Management Limited*4 ("Shanghai Rongkun")	26 January 2016 PRC/Mainland China	RMB5,000,000	–	65%	Business management
Shanghai Jiaren Investment Management Limited*4 ("Shanghai Jiaren")	23 February 2016 PRC/Mainland China	RMB10,000,000	–	100%	Investment management
Taizhou Jinshang Industrial Corporation Limited*4/5 ("Taizhou Jinshang")	1 December 2017 PRC/Mainland China	RMB130,000,000	–	100%	Industrial investment

1. CORPORATE AND GROUP INFORMATION (Continued)

INFORMATION ABOUT SUBSIDIARIES (Continued)

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

** During the year, Zhejiang Xinming Property Services Limited and Zhongtong Business Management Limited were disclosed of by the Group. Further details of these discloses are included in note 34 and note 40 to the financial statements.

[1] Registered as a limited liability company under BVI law.

[2] Registered as a limited liability company under Hong Kong law.

[3] Registered as a wholly-foreign-owned enterprise under PRC law.

[4] Registered as limited liability companies under PRC law.

[5] On 1 December 2017, Taizhou Jinshang was divided from Taizhou Investment with the registered share capital of RMB130,000,000. The registered share capital of Taizhou Investment was reduced from RMB160,000,000 to RMB30,000,000.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties measured at fair value through profit or loss. These financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its subsidiaries, 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 2017. 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).

2.1 BASIS OF PREPARATION (Continued)

BASIS OF CONSOLIDATION (Continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 35 to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]

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

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 No mandatory effective date yet determined but is available for adoption

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

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

(A) CLASSIFICATION AND MEASUREMENT

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(B) IMPAIRMENT

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and bills receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.The Group has determined that, due to the nature of its trade and bills receivables, and other receivables, no significant impairment provision is needed upon the initial adoption of the standard.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and 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 15, issued in May 2014, 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 standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard.

The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During the year ended 31 December 2017, the Group has performed a preliminary detailed assessment on the impact of the adoption of IFRS 15. Based on the assessment, the Group anticipates that the adoption of IFRS15 is unlikely to have an significant impact on the revenue recognition except for the presentation and disclosure as follows:

The Group's principal activities consist of property development, property leasing and the provision of property management services in 2016 and 2017. On 26 July 2017, the Group discountinued its business of provision of property management services. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

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

(A) PRESENTATION AND DISCLOSURE

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

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 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 expects to adopt IFRS 16 from 1 January 2019. The Group does not expect the adoption of IFRS 16 would result in a significant impact on the Group's financial position or performance. The Group is currently considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

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

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC Interpretation 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

IFRIC Interpretation 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 amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FAIR VALUE MEASUREMENT

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENT (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RELATED PARTIES (Continued)

or

(b) the party is an entity where any of the following conditions apply:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful life used for this purpose is as follows:

Plant and machinery	9.5%
Furniture and office equipment	19.0% to 31.6%
Motor vehicles	19.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from properties under development and completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When all financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included other income and gains in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in equity investments or debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

Available-for-sale financial investments (Continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest earned whilst holding the available-for-sale financial investments is reported as interest income, and is recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DERECOGNITION OF FINANCIAL ASSETS (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Financial assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and amounts due to other related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income to match the grant on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

(a) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) income from the rendering of services, when the services are rendered and the inflow of economic benefit is probable; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

SHARE-BASED PAYMENTS

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 April 2016 is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss and other comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENTS (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

EMPLOYEE BENEFITS

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

FOREIGN CURRENCIES

These financial statements are presented in Renminbi ("RMB"), which is the Group's and the Company's functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their profit or loss is translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Sales and leaseback transactions

The Group entered into a number of contracts or agreements in respect of sales and leaseback with certain property buyers for the purpose of leasing such properties to third party tenants. In assessing whether sales and leaseback transaction results in an operating lease or a finance lease, the management of the Group considers many factors including the sales price of the properties, the lease terms and the length of the lease period. Based on the assessment, the Group considers that the arrangements result in operating leases. The determination is subject to judgement on the factors and circumstances.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

JUDGEMENTS (Continued)

Classification between investment properties and completed properties held for sale

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property. Completed properties held for sale comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

ESTIMATION UNCERTAINTY (Continued)

Provision of properties under development and completed properties held for sale (Continued)

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such a provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which the estimate is changed will be adjusted accordingly.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

ESTIMATION UNCERTAINTY (Continued)

Estimation on the fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction carried at fair value, are revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amounts of investment properties at 31 December 2017 and 2016 were RMB3,053,776,000 and RMB3,074,014,000, respectively.

Provisions

The Group makes provisions for onerous contracts, and management estimates the related provisions based on existing contract terms, expected economic benefits, available knowledge and past experience.

The carrying amount of the provisions at 31 December 2017 was RMB2,130,000 (2016: RMB3,505,000). More details are given in note 27 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses was RMB23,090,000 (2016: RMB27,842,000). Further details are contained in note 17 to the financial statements.

4. SEGMENT INFORMATION

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

(a) the property development segment engages in the development and sale of properties;

(b) the property leasing segment engages in leasing out properties for their rental income potential and/or for capital appreciation; and

(c) the others segment engages in investment holding.

The Group discontinued its business of provision of property management services on 26 July 2017. The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted profit or loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, fair value gains or losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group discontinued its business of provision of property management services on 26 July 2017. The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year has been discontinued at the beginning of the comparative period.

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.

4. SEGMENT INFORMATION (Continued)

YEAR ENDED 31 DECEMBER 2017

	Property development RMB'000	Property leasing RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	1,834,741	53,452	–	1,888,193
Revenue from continuing operations				1,888,193
Segment results:	515,075	53,858	(24,684)	544,249
Profit before tax from continuing operations				544,249
Segment assets	6,135,117	1,671,375	3,720,935	11,527,427
Reconciliation:				
Elimination of intersegment receivables				(4,773,835)
Total assets				6,753,592
Segment liabilities	5,728,569	578,916	3,127,981	9,435,466
Reconciliation:				
Elimination of intersegment payables				(4,763,920)
Total liabilities				4,671,546
Other segment information:				
Depreciation	2,427	79	41	2,547
Provision for impairment of properties under development	36,259	–	–	36,259
Provision for impairment of trade receivables	–	4,666	–	4,666
Realisation of onerous operating leases	–	(1,599)	–	(1,599)
Bank interest income	(554)	(38)	12	(580)
Finance costs	6,402	224	–	6,626
Fair value gain on investment properties	–	(28,159)	–	(28,159)
Capital expenditure	8	11	93	112

4. SEGMENT INFORMATION (Continued)

YEAR ENDED 31 DECEMBER 2016 (REPRESENTED)

	Property development RMB'000	Property leasing RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	593,104	49,576	–	642,680
Revenue from continuing operations				642,680
Segment results:	206,877	50,598	(49,865)	207,610
Profit before tax from continuing operations				207,610
Segment assets	5,936,600	1,666,787	3,652,460	11,255,847
Reconciliation:				
Elimination of intersegment receivables				(3,386,923)
Assets related to a discontinued operation				18,266
Total assets				7,887,190
Segment liabilities	5,591,600	529,819	2,398,884	8,520,303
Reconciliation:				
Elimination of intersegment payables				(2,621,808)
Liabilities related to a discontinued operation				48,155
Total liabilities				5,946,650
Other segment information:				
Depreciation	3,693	92	77	3,862
Provision for impairment of completed properties held for sale	14,843	–	–	14,843
Provision for impairment of trade receivables	–	5,859	–	5,859
Realisation of onerous operating leases	–	(270)	–	(270)
Bank interest income	(246)	(22)	(3,198)	(3,466)
Finance costs	–	55	–	55
Fair value gain on investment properties	–	(59,396)	–	(59,396)
Capital expenditure	198	17,702	294	18,194

4. SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

Since the Group solely operates business in the People's Republic of China ("PRC") and all of the non-current assets of the Group are located in the PRC, geographical segment information in accordance with IFRS 8 *Operating Segments* is not presented.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of properties sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties during the year.

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

	Note	**2017** **RMB'000**	2016 RMB'000 (Represented)
Revenue			
Sale of properties		**1,847,087**	607,390
Rental income		**53,911**	51,135
		1,900,998	658,525
Less: Government surcharges		**(12,805)**	(15,845)
		1,888,193	642,680
Other income and gains			
Gain on disposal of an investment property		**90,336**	–
Gain on disposal of properties under development		**43,961**	–
Gain on disposal of a subsidiary	34	**28,046**	–
Bank interest income		**580**	3,466
Government grants		**188**	100
Exchange gain		**–**	1,325
Others		**197**	924
		163,308	5,815

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 **RMB'000**	2016 RMB'000
Interest on interest-bearing bank loans and other borrowings wholly repayable within five years	**146,302**	187,734
Interest on interest-bearing bank loans and other borrowings not wholly repayable within five years	**–**	2,153
Notional interest	**224**	55
Total interest expense on financial liabilities not at fair value through profit or loss	**146,526**	189,942
Less: Interest capitalised	**(139,900)**	(189,887)
	6,626	55

7. PROFIT BEFORE TAX

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

	2017 RMB'000	2016 RMB'000 (Represented)
Cost of properties sold	**1,147,259**	263,696
Cost of leasing properties	**21,079**	31,144
Auditor's remuneration	**2,350**	2,200
Depreciation	**2,547**	3,862
Minimum lease payments under operating leases	**1,481**	1,602
	1,174,716	302,504
Employee benefit expense (excluding directors' remuneration as set out in note 8):		
Wages and salaries	**27,942**	34,264
Equity-settled share award expense	**–**	4,159
Pension scheme and social welfare	**9,294**	11,016
	37,236	49,439
Impairment of properties under development (note 18)	**36,259**	–
Impairment of completed properties held for sale (note 19)	**–**	14,843
Impairment of trade receivables (note 20)	**4,666**	5,859
Additional provision for onerous operating leases (note 27)	**–**	2,858
Realisation of onerous operating leases (note 27)	**(1,599)**	(270)
Changes in fair value of investment properties (note 16)	**(28,159)**	(59,396)
Foreign exchange differences, net	**932**	(1,325)
Gain on disposal of items of property property, plant and equipment	**(15)**	(197)
Gain on disposal of an investment property	**(90,336)**	–
Gain on disposal of properties under development	**(43,961)**	–
Gain on disposal of a subsidiary (note 34)	**(28,046)**	–

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017	2016
	RMB'000	RMB'000
Fees	**605**	585
Other emoluments:		
Salaries, allowances and benefits in kind	**1,503**	2,010
Equity-settled share award expense	**—**	374
Pension scheme contributions	**149**	209
	1,652	2,593

(A) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2017	2016
	RMB'000	RMB'000
Mr. Gu Jiong	**173**	173
Mr. Lo Wa Kei, Roy	**216**	195
Mr. Fong Wo, Felix	**216**	217
	605	585

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(B) EXECUTIVE DIRECTORS AND A NON-EXECUTIVE DIRECTOR

	Fees	Salaries, allowances and benefits in kind	Equity-settled share award expense	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2017					
Executive directors:					
– Mr. Chen Chengshou	**–**	**983**	**–**	**65**	**1,048**
– Mr. Feng Cizhao	**–**	**80**	**–**	**19**	**99**
– Mr. Wong Thian Tsu, Michael	**–**	**260**	**–**	**–**	**260**
	–	**1,323**	**–**	**84**	**1,407**
Non-executive director:					
– Ms. Gao Qiaoqin	**–**	**180**	**–**	**65**	**245**
	–	**1,503**	**–**	**149**	**1,652**
2016					
Executive directors:					
– Mr. Chen Chengshou	–	983	–	59	1,042
– Mr. Feng Cizhao	–	300	109	39	448
– Mr. Wong Thian Tsu, Michael	–	152	–	–	152
– Ms. Quan Xiaolin	–	265	–	29	294
– Mr. Zhou Yongkui	–	130	265	23	418
	–	1,830	374	150	2,354
Non-executive director:					
– Ms. Gao Qiaoqin	–	180	–	59	239
	–	2,010	374	209	2,593

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2016: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2016: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**5,374**	3,257
Equity-settled share award expense	**–**	372
Pension scheme contributions	**276**	172
	5,650	3,801

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	2017	2016
Nil to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	–
	4	4

10. INCOME TAX

The Group is subject to income tax on an entity based 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 income arising in Hong Kong during the year.

10. INCOME TAX (Continued)

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

The major components of income tax expense are as follows:

	2017	2016
	RMB'000	RMB'000
		(Represented)
Current tax:		
Income tax in the PRC for the year	**113,697**	33,715
LAT	**193,937**	104,988
Deferred tax (note 17)	**9,807**	40,734
Total tax charge for the year from continuing operations	**317,441**	179,437
Total tax charge for the year from a discontinued operation	**–**	–
	317,441	179,437

10. 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 the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, is as follows:

	2017 RMB'000	2016 RMB'000 (Represented)
Profit before tax from continuing operations	**544,249**	207,610
Profit/(loss) before tax from a discontinued operation	**1,842**	(1,153)
	546,091	206,457
Tax at the statutory tax rate	**137,121**	52,237
Expenses not deductible for tax	**1,663**	7,303
Tax losses utilised from previous periods	**(461)**	–
Tax losses and temporary differences not recognised	**33,664**	41,156
Subtotal	**171,987**	100,696
LAT provision for the year	**72,172**	41,775
Prepaid LAT for the year	**121,765**	63,213
Deferred tax effect of LAT provision (note 17)	**(18,042)**	(10,444)
Tax effect of prepaid LAT	**(30,441)**	(15,803)
Tax charge at the Group's effective rate	**317,441**	179,437
Tax charge from continuing operations at the effective rate	**317,441**	179,437
Tax charge from a discontinued operation at the effective rate	**–**	–

For the year ended 31 December 2017, deferred tax assets in respect of tax losses and temporary differences amounting to RMB137,054,000 (2016: RMB166,600,000) have not been recognised, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

11. DISCONTINUED OPERATION

On 20 July 2017, the Company announced the decision of its board of directors to dispose of Zhejiang Xinming Property Services Limited ("Xinming Property") engages in the provision of property management service. The Group has decided to cease its property management service business because it plans to focus its resources on its property development and property investment. The disposal of Xinming Property has been completed on 26 July 2017. With Xinming Property being classified as a discontinued operation, the property management service business is no longer included in the note for operating segment information.

The results of Xinming Property for the period are presented below:

	From 1 Jan 2017 to 26 July 2017 RMB'000	2016 RMB'000
Revenue	**12,586**	17,369
Cost of sales	**(8,679)**	(16,419)
Other income and gains	**5**	78
Administrative expenses	**(1,997)**	(2,069)
Other expenses	**(73)**	(112)
PROFIT/(LOSS) FOR THE PERIOD/YEAR FROM THE DISCONTINUED OPERATION	**1,842**	(1,153)

11. DISCONTINUED OPERATION (Continued)

The net cash flows incurred by Xinming Property are as follows:

	From 1 Jan 2017 to 26 July 2017 RMB'000	2016 RMB'000
Operating activities	**(330)**	341
Investing activities	**(68)**	–
Net cash (outflow)/inflow	**(398)**	341
Earnings/(loss) per share:		
Basic and diluted, from the discontinued operation (RMB)	**0.10 cents**	(0.06) cents

The calculations of basic earnings/(loss) per share from the discontinued operation are based on:

	From 1 Jan 2017 to 26 July 2017	2016
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operation (RMB)	**1,842,000**	(1,153,000)
Weighted average number of ordinary shares in issue during the period/year used in the basic earnings/(loss) per share calculation (note 13)	**1,878,622,000**	1,879,303,490

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation (2016: nil).

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

The calculation of the basic earnings per share amounts 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 1,878,622,000 (2016: 1,879,303,490) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

The calculation of the basic earnings per share is based on:

	2017 **RMB'000**	2016 RMB'000 (Represented)
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**240,436**	11,364
From a discontinued operation	**1,842**	(1,153)
	242,278	10,211

	Number of shares **2017**	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,878,622,000**	1,879,303,490
Basic and diluted per share (RMB per share)	**0.13**	0.01

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:				
At 1 January 2016	2,662	6,529	24,077	33,268
Additions	–	540	20	560
Disposal	–	(1,457)	(1,388)	(2,845)
At 31 December 2016 and 1 January 2017	2,662	5,612	22,709	30,983
Additions	–	111	–	111
Disposal of subsidiaries	–	(405)	(189)	(594)
Disposals	–	(117)	–	(117)
At 31 December 2017	2,662	5,201	22,520	30,383
Accumulated depreciation:				
At January 2016	2,529	4,794	12,798	20,121
Charge for the year	–	840	3,068	3,908
Disposal	–	(1,342)	(1,360)	(2,702)
At 31 December 2016 and 1 January 2017	2,529	4,292	14,506	21,327
Charge for the year	–	262	2,301	2,563
Disposal of subsidiaries	–	(215)	(186)	(401)
Disposals	–	(24)	–	(24)
At 31 December 2017	2,529	4,315	16,621	23,465
Net carrying amount:				
At 31 December 2016	133	1,320	8,203	9,656
At 31 December 2017	133	886	5,899	6,918

None of the Group's property, plant and equipment (2016: Nil) have been pledged to secure bank loans granted to the Group.

15. AVAILABLE-FOR-SALE INVESTMENTS

	2017 **RMB'000**	2016 RMB'000
Unlisted equity investments, measured at cost	**1,500**	–

As at 31 December 2017, certain unlisted equity investments with a carrying amount of RMB1,500,000 (2016: Nil) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

16. INVESTMENT PROPERTIES

	Completed RMB'000	**Under construction** RMB'000	**Total** RMB'000
At 1 January 2016	2,668,365	307,200	2,975,565
Additions	–	17,702	17,702
Transfer from properties under development	21,351	–	21,351
Transfer	324,902	(324,902)	–
Change in fair value of investment properties	59,396	–	59,396
At 31 December 2016	3,074,014	–	3,074,014
Disposals	(48,397)	–	(48,397)
Change in fair value of investment properties	28,159	–	28,159
At 31 December 2017	3,053,776	–	3,053,776

The Group's investment properties consist of commercial properties completed in Mainland China. The fair value of the Group's investment properties was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer. The investment properties are leased to third parties under operating leases, further details of which are included in note 38.

16. INVESTMENT PROPERTIES (Continued)

As at 31 December 2017, the Group's investment properties with a value of RMB2,112,900,000 (2016: RMB3,074,014,000) were pledged to secure general interest-bearing bank loans and other borrowings granted to the Group (note 26).

On 9 August 2017, Taizhou Investment, a wholly-owned subsidiary of the Company, and Taizhou Housing Expropriation Department ("城市房屋徵收與補償管理辦公室") entered into an agreement, pursuant to which, Taizhou Investment agreed to sell Xinming International Logistic Centre ("新明國際物流中心"), one of its investment properties, to Taizhou Housing Expropriation Department. The total consideration amounts to RMB171,281,000 which is the compensation for the land use right and building with net book value of RMB48,397,000 at the date of disposal, relocation cost of RMB24,392,000 and other relevant tax of RMB8,156,000.

FAIR VALUE HIERARCHY

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
31 December 2017				
Commercial properties	**–**	**–**	**3,053,776**	**3,053,776**
31 December 2016				
Commercial properties	–	–	3,074,014	3,074,014

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

16. INVESTMENT PROPERTIES (Continued)

FAIR VALUE HIERARCHY (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000
Carrying amount at 1 January 2016	2,975,565
Addition	17,702
Transfer from completed properties held for sale	21,351
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	59,396
Carrying amount at 31 December 2016	3,074,014
Disposal	(48,397)
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	28,159
Carrying amount at 31 December 2017	3,053,776

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Commercial properties	**Valuation techniques**	**Significant unobservable inputs**	**Range** (weighted average)
Year ended 31 December 2017	Income method	Market monthly rental rate (RMB/sq.m.)	2.64-5.83
		Term yield	5.00%-5.50%
		Reversionary yield	5.00%-6.00%
		Long term vacancy rate	3.00%-8.00%
Year ended 31 December 2016	Income method	Market monthly rental rate (RMB/sq.m.)	0.49-5.69
		Term yield	5.00%-6.00%
		Reversionary yield	5.00%-7.00%
		Long term vacancy rate	2.00%-8.00%

16. INVESTMENT PROPERTIES (Continued)

The investment properties under construction have been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans.

The investment properties completed or close to completion have been valued by using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

17. DEFERRED TAX

DEFERRED TAX ASSETS

The following are the deferred tax assets recognised and the movements therein during the year:

	Loss available for offsetting against future taxable profit	Accruals and provisions	Accrued LAT	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets				
Gross deferred tax assets				
At 1 January 2016	23,492	5,758	119,364	148,614
Deferred tax credited to profit or loss during the year (note 10)	4,350	2,168	10,444	16,962
At 31 December 2016	27,842	7,926	129,808	165,576
Deferred tax (charged)/ credited to profit or loss during the year (note 10)	(4,752)	12,050	18,042	25,340
At 31 December 2017	23,090	19,976	147,850	190,916

The Group has tax losses arising in Mainland China of RMB92,360,000 (2016: RMB111,368,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets in respect of tax losses and temporary differences amounting to RMB130,483,000 (2016: RMB97,280,000) have not been recognised, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

17. DEFERRED TAX (Continued)

DEFERRED TAX LIABILITIES

	Accelerated tax depreciation	Adjustment of fair value arising from investment properties	Capitalised interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax liabilities				
Gross deferred tax liabilities				
At 1 January 2016	28,533	385,838	18,621	432,992
Deferred tax charged to profit or loss during the year (note 10)	14,200	14,849	28,647	57,696
At 31 December 2016	42,733	400,687	47,268	490,688
Deferred tax charged to profit or loss during the year (note 10)	13,480	7,040	10,546	31,066
Disposal of an investment property	(4,793)	8,874	–	4,081
At 31 December 2017	51,420	416,601	57,814	525,835

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2017, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the subsidiaries of the Group established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute earnings arising from 1 January 2008 to 31 December 2017 in the foreseeable future. The aggregate amount of temporary differences associated with the investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB106,538,000 (2016: RMB101,384,000).

17. DEFERRED TAX (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2017 **RMB'000**	2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**82,659**	82,182
Net deferred tax liabilities recognised in the consolidated statement of financial position	**417,578**	407,294
	(334,919)	(325,112)

18. PROPERTIES UNDER DEVELOPMENT

	2017 **RMB'000**	2016 RMB'000
Carrying amount	**2,085,458**	1,526,546
Additions	**554,861**	558,912
Transferred to completed properties held for sale	**(1,534,861)**	–
Disposals	**(37,219)**	–
Impairment	**(36,259)**	–
	1,031,980	2,085,458

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB811,735,000 (2016: RMB1,172,808,000) have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group (note 26).

18. PROPERTIES UNDER DEVELOPMENT (Continued)

The movements in provision for impairment of properties under development are as follows:

	2017	2016
	RMB'000	RMB'000
Impairment of properties under development held for sale	**36,259**	–

Included in the above provision for impairment of properties under development is a provision for the impaired properties under development of RMB36,259,000 (2016: Nil) with a carrying amount before provision of RMB199,028,000 (2016: Nil).

On 27 September 2017, Taizhou Investment, a wholly-owned subsidiary of the Company, and Taizhou Housing Expropriation Department entered into an agreement, pursuant to which, Taizhou Investment agreed to sell a property under development to Taizhou Housing Expropriation Department. The total consideration amounts to RMB85,239,000 which are the compensation for the land use right with net book value of RMB37,219,000 at the date of disposal and other relevant tax of RMB4,059,000.

19. COMPLETED PROPERTIES HELD FOR SALE

	2017	2016
	RMB'000	RMB'000
Carrying amount	**1,305,659**	1,605,549
Transferred from properties under development	**1,534,861**	–
Transferred to cost of properties sold	**(1,147,259)**	(263,696)
Transferred to investment properties	**–**	(21,351)
Impairment	**–**	(14,843)
	1,693,261	1,305,659

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB571,939,000 (2016: RMB540,591,000) have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group (note 26).

19. COMPLETED PROPERTIES HELD FOR SALE (Continued)

The movements in provision for impairment of completed properties held for sale are as follows:

	2017 **RMB'000**	2016 RMB'000
At beginning and end of year	**20,986**	6,174
Impairment loss realised	**(468)**	(31)
Impairment of completed properties held for sale	**–**	14,843
	20,518	20,986

Included in the above provision for impairment of completed properties held for sale is a provision for the impaired completed properties held for sale of RMB20,518,000 (2016: RMB20,986,000) with a carrying amount before provision of RMB632,510,000 (2016: RMB642,106,000).

20. TRADE RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Trade receivables	**95,007**	98,024
Impairment	**(20,934)**	(16,268)
	74,073	81,756

Trade receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable in advance in accordance with the terms of the related sales and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. 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.

20. TRADE RECEIVABLES (Continued)

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and net of provision for doubtful debts, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**74,073**	81,756

The movements in provision for impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
At beginning and end of year	**16,268**	10,409
Impairment of trade receivables	**4,666**	5,859
	20,934	16,268

Included in the above provision for impairment of trade receivables is a provision for the impaired trade receivables of RMB20,934,000 (2016: RMB16,268,000) with a carrying amount before provision of RMB22,525,000 (2016: RMB22,354,000).

The aging analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**72,482**	75,670
Past due within one year but not impaired	**1,591**	6,086
	74,073	81,756

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.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments	**13,725**	26,756
Other tax recoverable	**21,076**	28,025
Deposits and other receivables	**86,600**	155,391
	121,401	210,172

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

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017 RMB'000	2016 RMB'000
Cash at hand	**126**	263
Cash at banks, unrestricted	**655,130**	465,350
Cash and cash equivalents	**655,256**	465,613
Denominated in RMB	**648,313**	450,386
Denominated in HK$	**6,922**	15,205
Denominated in US$	**21**	22
	655,256	465,613
Restricted pre-sale proceeds	**2,402**	3,082
Pledged deposits	**–**	500,000
Restricted deposits	**2,402**	503,082

Certain of the Group's bank deposits with an aggregate carrying amount of approximately nil (2016: RMB500,000,000) have been secured to secure interest-bearing bank loans and other borrowings granted to the Group (note 26).

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (Continued)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amounts of pre-sale proceeds of properties as deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained.

23. TRADE PAYABLES

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

	2017 **RMB'000**	2016 RMB'000
Less than one year	**121,785**	414,184
Over one year	**227,048**	294,205
	348,833	708,389

The trade payables are unsecured and non-interest-bearing.

24. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Payables to third parties	**216,379**	137,928
Other payables and accruals	**143,652**	135,349
Other tax payables	**94,413**	53,706
Deposits related to sales of properties	**45,072**	53,196
Rental payables	**23,867**	1,816
Deposits related to construction	**19,521**	22,416
Payroll and welfare payables	**5,299**	19,811
Others	**8,662**	6,629
	556,865	430,851

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand.

25. ADVANCES FROM CUSTOMERS

Advances from customers represent the sales proceeds received from buyers in connection with the Group's pre-sale of properties at the end of the reporting period, property management service fee received from proprietors and rental income received from lessees.

26. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	–	–	–	6.83-12.50	2017	239,000
Other borrowings – secured	9.00	2018	220,000	9.00-17.40	2017	258,000
Current portion of long term bank loans – secured	6.13	2018	40,000	1.88-6.13	2017	849,545
Current portion of long term other borrowings – secured	7.15-9.50	2018	852,201	9.00	2017	198,000
			1,112,201			1,544,545
Non-current						
Bank loans – secured	6.13	2022	130,000	5.23-6.13	2018-2022	290,000
Other borrowings – secured	6.80-8.00	2019	811,850	9.48-9.50	2018-2019	1,174,914
			941,850			1,464,914
			2,054,051			3,009,459
Analysed into:						
Bank loans repayable:						
Repayable within one year			40,000			1,088,545
Repayable in the second year			30,000			100,000
Repayable in the third to fifth years			100,000			130,000
Repayable beyond five years			–			60,000
			170,000			1,378,545
Other borrowings repayable:						
Repayable within one year			1,072,201			456,000
Repayable in the second year			811,850			674,914
Repayable in the third to fifth years			–			500,000
			1,884,051			1,630,914
			2,054,051			3,009,459

26. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

The Group's interest-bearing bank loans and other borrowings are secured by the pledges of the following assets with carrying values at 31 December 2017 and 2016:

		2017 RMB'000	2016 RMB'000
Equity interests in subsidiaries	(i)	**397,938**	872,080
Investment properties	(ii)	**2,112,900**	3,074,014
Completed properties held for sale	(iii)	**571,939**	540,591
Pledged deposits	(iv)	**–**	500,000
Properties under development	(v)	**811,735**	1,172,808

(i) The Group's other borrowings of RMB500,000,000 and nil (2016: RMB500,000,000 and RMB198,000,000) were secured by the 100% equity interests in Wenshang Times and Taizhou Investment, subsidiaries of the Company, respectively.

None of the Group's interest-bearing bank loans (2016: RMB150,000,000) was secured by the 79% equity interest in Shanghai Xinming, a subsidiary of the Company.

(ii) The Group's interest-bearing bank loans of RMB170,000,000, nil and nil (2016:RMB360,000,000, RMB210,000,000 and RMB234,545,000) were secured by investment properties of Taizhou Investment, Shanghai Xinming and Chongqing Xinming, subsidiaries of the Company, respectively.

The Group's other borrowings of RMB500,000,000 and RMB346,500,000 (2016:RMB500,000,000 and nil) were secured by investment properties of Wenshang Times and Chongqing Xinming, subsidiaries of the Company, respectively.

(iii) The Group's other borrowings of RMB403,759,000, RMB346,500,000, nil and nil (2016: Nil, nil, RMB198,000,000 and RMB89,000,000) were secured by completed properties held for sale of Hangzhou Xinming, Chongqing Xinming, Shandong Xingmeng and Wenshang Times, subsidiaries of the Company, respectively.

(iv) None of the Group's interest-bearing bank loans (2016: RMB485,000,000) was secured by pledged deposits of Xinming Hong Kong.

(v) None of the Group's interest-bearing bank loans (2016: RMB210,000,000) were secured by properties under development of Chongqing Xinming, a subsidiary of the Company.

The Group's other borrowings of RMB220,000,000, RMB346,500,000 and nil (2016: RMB198,000,000, nil and RMB734,914,000) were secured by properties under development of Shandong Xingmeng, Chongqing Xinming and Hangzhou Xinming, subsidiaries of the Company, respectively.

(vi) The Group's interest-bearing bank loans and other borrowings of RMB2,054,051,000 were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group (iv) Mr. Fan Guangpei, the non-controlling shareholder of Shandong Xingmeng, a subsidiary of the Company (2016: RMB2,524,460,000 were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited and Hangzhou Taoyuan Shanzhuang Property Development Limited, related parties of the Group and (iv) Mr. Shen Ming, Dongguan City Ouhai Shiye Co., Ltd., Dongguan City Senxin Apparel Co., Ltd. and Zhejiang Xingji Elevators Co., Ltd., the non-controlling shareholders of Chongqing Xinming, a subsidiary of the Company), as set out in note 40(b)(v).

27. PROVISIONS

ONEROUS OPERATING LEASES:

	2017	2016
	RMB'000	RMB'000
At 1 January	**3,505**	862
Additional provision	**–**	2,858
Realisation	**(1,599)**	(270)
Increase in discounted amounts arising from the passage of time	**224**	55
At 31 December	**2,130**	3,505
Analysed into:		
Current	**1,098**	1,097
Non-current	**1,032**	2,408

ONEROUS CONTRACT PROVISION

The Group has sold certain of the commercial properties at market prices, and then leases back from the owners for the purpose of leasing them out to third party tenants. Pursuant to the payment terms of these contracts from 1 July 2014 to 30 June 2019, the unavoidable costs of meeting the obligations have exceeded the economic benefits expected to be received. A provision has been made for these onerous contracts based on the estimated minimum net cost of exiting from the contracts as at 31 December 2017 and 2016.

28. TAX PAYABLE

	2017	2016
	RMB'000	RMB'000
Income tax	**269,363**	159,229
LAT	**612,706**	548,976
	882,069	708,205

29. OTHER LIABILITIES

	2017 RMB'000	2016 RMB'000
Rental payables	**4,446**	17,158

The Group has entered into a number of contracts in respect of the leasing of certain of its commercial properties owned by third parties for the purpose of leasing them to third party tenants. Pursuant to the payment terms of these contracts, the Group should pay at a fixed rate of the selling prices of properties during the lease terms. These leases were classified as operating leases and had remaining lease terms of 18 months as at 31 December 2017. At 31 December 2017 and 2016, the operating lease payable on the straight-line basis over the lease terms was included in other liabilities and other payables in the consolidated statement of financial position.

30. ISSUED CAPITAL

ISSUED CAPITAL

	Note	Number of shares	Nominal value of HK$0.01 each	Nominal value RMB
Authorised:				
At 31 December 2016 and 31 December 2017		1,880,000,000	18,800,000	14,891,000
Issued and fully paid:				
At 1 January 2016		1,880,000,000	18,800,000	14,891,000
Shares repurchased	(i)	(1,378,000)	(13,780)	(11,000)
At 31 December 2016 and 31 December 2017		1,878,622,000	18,786,220	14,880,000

(i) In 2016, the Company repurchased on the Stock Exchange a total of 1,378,000 shares of HK$0.01 each of the Company, at an aggregate consideration before expense of approximately HK$1,419,000 (approximately RMB1,214,000), and all the shares were cancelled in 2016. The aggregate consideration paid was debited to Group's issued capital by RMB11,000 and share premium by RMB1,203,000.

31 SHARE AWARD SCHEME

On 26 January 2016, the Company adopted the share award scheme (the "Scheme") to recognise the contribution by certain eligible participants and to attract suitable personnel for further development of the Group.

On 7 April 2016, the Board resolved to grant a total of 13,716,666 awarded shares (the "Awarded Shares") to 150 selected participants. On 19 April 2016, the Company was informed that 53 selected participants fulfilled the vesting conditions and a total number of 5,346,879 Awarded Shares was involved. A total number of 8,369,787 Awarded Shares was forfeited/lapsed.

The fair value of the shares granted under the Scheme as at 7 April 2016, the grant date, was RMB4,533,000.

For the year ended 31 December 2017, the Group recognised an expense of nil (2016: RMB4,533,000) in relation to the Scheme.

32. RESERVES

MERGER RESERVE

The merger reserve represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company and the reserve arising from acquisition of non-controlling interests. Details of the movements in the merger reserve are set out in the consolidated statement of changes in equity.

STATUTORY RESERVE FUND

PRC laws and regulations require wholly-owned foreign enterprises ("WOFE") to provide for the reserve fund by appropriating a part of the net profit (based on the entity's PRC GAAP statutory accounts) before dividend distribution. Each subsidiary being a WOFE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of this fund has reached 50% of its registered capital.

The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

32. RESERVES (Continued)

STATUTORY RESERVE FUND (Continued)

In accordance with the PRC Company Law and the PRC subsidiaries' articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined under PRC GAAP (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after those usages.

CAPITAL RESERVE

Capital reserve comprises the difference arising from changes in ownership interests in subsidiaries which do not result in change of control.

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2017	2016
Percentage of equity interest held by non-controlling interests:		
Shandong Xingmeng	**25%**	25%
Shanghai Xinming	**21%**	21%
Chongqing Xinming	**5%**	40%

	2017 **RMB'000**	2016 RMB'000
(Loss)/profit for the year allocated to non-controlling interests:		
Shandong Xingmeng	**(1,019)**	(554)
Shanghai Xinming	**(6,471)**	36,588
Chongqing Xinming	**(4,577)**	(14,936)
Accumulated balances of non-controlling interests at the reporting date:		
Shandong Xingmeng	**4,382**	5,401
Shanghai Xinming	**104,907**	111,378
Chongqing Xinming	**5,919**	63,688

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2017	Shandong Xingmeng RMB'000	Shanghai Xinming RMB'000	Chongqing Xinming RMB'000
Revenue	4,113	40,787	864
Total expenses	(6,678)	(36,524)	(63,540)
Loss for the year	(4,074)	(30,815)	(40,849)
Total comprehensive loss for the year	(4,074)	(30,815)	(40,849)
Current assets	539,560	638,771	907,733
Non-current assets	10,136	940,572	292,616
Current liabilities	(532,170)	(988,599)	(775,106)
Non-current liabilities	–	(91,189)	(306,871)
Net cash flows used in operating activities	(23,748)	(195,558)	(140,092)
Net cash flows used in investing activities	(8)	–	(11)
Net cash flows from financing activities	20,000	175,000	140,000
Net decrease in cash and cash equivalents	(3,756)	(20,558)	(103)

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(Continued)

2016	Shandong Xingmeng RMB'000	Shanghai Xinming RMB'000	Chongqing Xinming RMB'000
Revenue	18,084	536,392	7,892
Total expenses	(11,503)	(70,095)	(29,605)
(Loss)/profit for the year	(2,215)	174,227	(37,341)
Total comprehensive (loss)/profit for the year	(2,215)	174,227	(37,341)
Current assets	512,753	582,787	787,458
Non-current assets	9,099	928,170	290,655
Current liabilities	(500,250)	(882,643)	(791,859)
Non-current liabilities	–	(97,941)	(127,034)
Net cash flows from operating activities	3,703	172,617	104,092
Net cash flows used in investing activities	(174)	(7)	–
Net cash flows used in financing activities	–	(157,455)	(120,080)
Net increase/(decrease) in cash and cash equivalents	3,529	15,155	(15,988)

34. DISPOSAL OF A SUBSIDIARY

On 20 July 2017, Xinming Group, a subsidiary of the Group, entered into an equity interest transfer agreement with a third party to dispose of a 100% equity interest in Xinming Property for a consideration of RMB1. The disposal was completed on 26 July 2017, and Xinming Property was not included in the consolidated financial statements of the Group hereafter.

34. DISPOSAL OF A SUBSIDIARY (Continued)

The financial information of Xinming Property at the date of disposal is as follows:

	2017 RMB'000
Net assets disposed of:	
Property, plant and equipment	148
Cash and bank balances	688
Trade receivables	54
Prepayments and other receivables	16,604
Tax recoverable	342
Trade payables	(71)
Accruals and other payables	(41,085)
Advances from customers	(4,726)
	(28,046)
Gain on disposal of a subsidiary	28,046
	–

	2017 RMB'000
Satisfied by:	
Cash	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2017 RMB'000
Cash consideration	–
Cash and bank balances disposed of	(688)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(688)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2017, the Company acquired an aggregate of 35% equity interest in Chongqing Xinming at a consideration of RMB87,500,000. Of the total amount, RMB87,500,000 was not settled during the year, and was credited to other payables and accruals.

(B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest-bearing other borrowings		Included in "Other payables and accruals"	Total
	Current	**Non-current**	**Current**	
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	405,080	2,593,000	66,673	3,064,753
Changes from financing cash flows	1,139,465	(1,128,086)	78,829	90,208
At 31 December 2016 and at 1 January 2017	1,544,545	1,464,914	145,502	3,154,961
Changes from financing cash flows	(432,344)	(523,064)	7,286	(948,122)
Increase arising from acquisition of non-controlling interests	–	–	87,500	87,500
At 31 December 2017	1,112,201	941,850	240,288	2,294,339

36. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	**19,083**	17,755

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed propertied held for sale. Pursuant to the terms of the guarantee agreements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchaser's collateral agreement.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

37. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 26 to the financial statements.

38. OPERATING LEASE ARRANGEMENTS

AS LESSOR

The Group leases out its investment properties under operating lease arrangements with leases negotiated from terms ranging from one to five years. The terms of leases generally require the tenants to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**34,591**	46,578
In the second to fifth years, inclusive	**34,470**	50,975
	69,061	97,553

AS LESSEE

The Group leases certain of its commercial properties under operating lease arrangements, negotiated for lease terms of one to five years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**23,001**	12,014
In the second to fifth years, inclusive	**23,509**	36,970
	46,510	48,984

The Group has entered into a number of contracts in respect of leasing back commercial properties owned by third parties for the purpose of leasing them to third party tenants. Pursuant to the payment terms of these contracts, the Group should pay at a fixed rate of the selling prices of properties during the lease terms. These leases are classified as operating leases and had remaining lease terms of 18 months as at 31 December 2017. At 31 December 2016 and 2017, the operating lease payable on the straight-line basis over the lease terms is included in other liabilities and other payables in the consolidated statement of financial position.

39. COMMITMENTS

In addition to the operating lease commitment as detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	2017 **RMB'000**	2016 RMB'000
Contracted, but not provided for:		
Properties under development	**37,628**	549,032

40. RELATED PARTY TRANSACTIONS

(A) NAME AND RELATIONSHIP

Name of related party	**Relationship with the Group**
Mr. Chen Chengshou	Controlling Shareholder
Hangzhou Kaijie Decoration Co., Ltd.	Significantly influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Yuanyang Holdings Group Share Limited Company[2]	Significantly influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Zhejiang Shouchuang Industry Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Zhejiang Tianmao Landscape Engineering Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Hangzhou Taoyuan Shanzhuang Property Development Limited	Controlled by the Controlling Shareholder
Shanghai Nanshuo Asset Operation and Management Co., Ltd.[1]	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder

1 Shanghai Nanshuo Asset Operation and Management Co., Ltd. has no longer been a related company of the Group since 17 February 2017.

2 Mr. Zheng Xiangtian is no longer the controlling shareholder but still the chairman of Yuanyang Holdings Group Share Limited Company since 20 October 2017.

40. RELATED PARTY TRANSACTIONS (Continued)

(B) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Nature of transactions

Recurring transactions

		2017 RMB'000	2016 RMB'000
(i)	**Purchases of construction materials and related service received from related parties**		
	Yuanyang Holdings Group Share Limited Company	196,972	–
	Zhejiang Tianmao Landscape Engineering Co., Ltd.	4,468	981
		201,440	981

The purchases of construction materials and related services received from the above related parties were made according to the prices and terms agreed between the related parties.

		2017 RMB'000	2016 RMB'000
(ii)	**Rendering property management services to other related party**		
	Hangzhou Taoyuan Shanzhuang Property Development Limited	2,510	–

40. RELATED PARTY TRANSACTIONS (Continued)

(B) (Continued):

Nature of transactions (Continued)

Recurring transactions (Continued)

The property management services to the above related party were provided according to the prices and terms agreed between the related parties.

		2017 RMB'000	2016 RMB'000
(iii)	**Leasing of offices from a related party**		
	Hangzhou Taoyuan Shanzhuang Property Development Limited	**480**	522

The lease of offices from the above related party was entered into according to the prices and terms agreed between the related parties.

(iv) The Group entered into a trademark licence agreement with Xinming Group Limited on 21 August 2014, for a term of three years ended on 20 August 2017. Pursuant to the agreement, Xinming Group Limited has agreed to grant the Group a licence for the use of various "新明半島" trademarks of Xinming Group Limited for nil consideration.

40. RELATED PARTY TRANSACTIONS (Continued)

(B) (Continued):

Nature of transactions (Continued)

Non-recurring transactions

(v) Guarantees provided for interest-bearing bank loans and other borrowings by related parties

As set out in note 26(vi), as at 31 December 2017 the Group's interest-bearing bank loans and other borrowings of RMB2,054,051,000 are jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group and (iv) Mr. Fan Guangpei, the non-controlling shareholder of Shandong Xingmeng, a subsidiary of the Company (2016: RMB2,524,460,000 werer jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited and Hangzhou Taoyuan Shanzhuang Property Development Limited, related parties of the Group and (iv) Mr. Shen Ming, Dongguan City Ouhai Shiye Co., Ltd., Dongguan City Senxin Apparel Co., Ltd. and Zhejiang Xingji Elevators Co., Ltd., the non-controlling shareholders of Chongqing Xinming, a subsidiary of the Company).

(vi) On 9 January 2017, Xinming Group, a wholly-owned subsidiary of the Company, and Shanghai Nanshuo Asset Operation and Management Co., Ltd. ("Shanghai Nanshuo") entered into an equity transfer agreement, pursuant to which, Xinming Group Holding Limited agreed to sell a 100% equity interest of Zhongtong Business Management Limited to Shanghai Nanshuo for a consideration of nil.

40. RELATED PARTY TRANSACTIONS (Continued)

(C) OUTSTANDING BALANCES WITH RELATED PARTIES

	2017 RMB'000	2016 RMB'000
Due from other related parties		
Yuanyang Holdings Group Share Limited Company	–	24,271
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	–	3,226
Hangzhou Taoyuan Shanzhuang Property Development Limited	–	375
	–	27,872
Due to other related parties		
Yuanyang Holdings Group Share Limited Company	8,745	–
Zhejiang Tianmao Landscape Engineering Co., Ltd.	6,780	4,253
Zhejiang Shouchuang Industry Co., Ltd.	3,122	5,320
Hangzhou Kaijie Decoration Co., Ltd.	–	195
	18,647	9,768

As at 31 December 2017, the Group had outstanding balances due from its related parties of nil (2016: RMB27,872,000). These balances mainly consist advances to the related companies in relation to purchasing construction materials and receiving related services, receiving management services and leasing offices.

(D) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2017 RMB'000	2016 RMB'000
Short term employee benefits	1,503	2,010
Equity-settled share award expense	–	374
Pension scheme contributions	149	209
Total compensation paid to key management personnel	1,652	2,593

41. LOANS TO DIRECTORS

Name	31 December 2017 RMB'000	Maximum amount outstanding during the year RMB'000	1 January 2017 RMB'000	Security held
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr. Chen Chengshou)	–	375	375	None

Name	31 December 2016 RMB'000	Maximum amount outstanding during the year RMB'000	1 January 2016 RMB'000	Security held
Yuanyang Holdings Group Share Limited Company (controlled by Mr. Zheng Xiangtian)	24,271	24,271	–	None
Shanghai Nanshuo Asset Operation and Management Co., Ltd. (controlled by Mr. Zheng Xiangtian)	3,226	3,226	3,226	None
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr. Chen Chengshou)	375	897	897	None
	27,872	28,394	4,123	

As at 31 December 2017, the Group had outstanding balances due from its related parties of nil (2016: RMB27,872,000). These balances mainly consist of advances to the related companies in relation to purchasing construction materials and receiving related services, receiving management services and leasing offices.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The table below is an analysis of the carrying amounts of financial instruments by category as at the end of the year:

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables		
Availvable-for-sale investment	**1,500**	–
Trade receivables	**74,073**	81,756
Financial assets included in prepayments, deposits and other receivables	**85,451**	154,242
Due from other related parties	**–**	27,872
Restricted deposits	**2,402**	503,082
Cash and cash equivalents	**655,256**	465,613
	818,682	1,232,565
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	**348,833**	708,389
Financial liabilities included in other payables and accruals	**457,153**	357,334
Due to other related parties	**18,647**	9,768
Interest-bearing bank loans and other borrowings	**2,054,051**	3,009,459
	2,878,684	4,084,950

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	2017 **RMB'000**	2016 RMB'000
Carry amount		
Interest-bearing bank loans and other borrowings	**941,850**	1,464,914

	2017 **RMB'000**	2016 RMB'000
Fair value		
Interest-bearing bank loans and other borrowings	**944,111**	1,463,049

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing other borrowings as at 31 December 2017 and 2016 was assessed to be insignificant.

FAIR VALUE HIERARCHY

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments for which fair values are disclosed:

Liabilities for which fair values are disclosed:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2017	2016
	RMB'000	RMB'000
Interest-bearing bank loans and other borrowings	**944,111**	1,463,049

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted deposits, equity investments at fair value through profit or loss, trade receivables, and trade payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank loans and other borrowings, amounts due from and to other related parties, and deposits and other receivables, and other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

INTEREST RATE RISK

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank loans and other borrowings with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax*
		RMB'000
2017		
RMB	**20**	**(255)**
RMB	**(20)**	**255**
2016		
RMB	20	(982)
RMB	(20)	982

* The sensitivity is calculated based on the assumption that none of the interest was capitalised.

FOREIGN CURRENCY RISK

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar ("HK$") exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FOREIGN CURRENCY RISK (Continued)

	Increase/ (decrease) in HK$ rate	(Decrease)/ increase in profit before tax
	%	RMB'000
2017		
If HK$ weakens against RMB	**5**	**(346)**
If HK$ strengthens against RMB	**(5)**	**346**
2016		
If HK$ weakens against RMB	5	(760)
If HK$ strengthens against RMB	(5)	760

CREDIT RISK

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities with related parties.

The amounts due from other related parties, including the Controlling Shareholder, were nil (2016: RMB27,872,000). The Group did not record any significant bad debt losses during the year.

The credit risk of the Group's other financial assets, which mainly comprise cash and restricted deposits, other receivables and amounts due from and to related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. In addition, trade and bills receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and other borrowings. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within 1 year RMB'000	**Within 2 to 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**
31 December 2017				
Trade payables	**348,833**	**–**	**–**	**348,833**
Other payables and accruals	**457,153**	**–**	**–**	**457,153**
Due to other related parties	**18,647**	**–**	**–**	**18,647**
Interest-bearing bank loans and other borrowings	**1,249,496**	**1,004,220**	**–**	**2,253,716**
	2,074,129	**1,004,220**	**–**	**3,078,349**

	Within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
31 December 2016				
Trade payables	708,389	–	–	708,389
Other payables and accruals	357,334	–	–	357,334
Due to other related parties	9,768	–	–	9,768
Interest-bearing bank loans and other borrowings	1,738,169	1,565,344	61,869	3,365,382
	2,813,660	1,565,344	61,869	4,440,873

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by total equity plus net debt. The Group's net debt consists of interest-bearing bank loans and other borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests.

At the end of the year, the Group's strategy was to maintain the net debt to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to equity ratios at the end of the years are as follows:

	2017 RMB'000	2016 RMB'000
Interest-bearing bank loans and other borrowings	**2,054,051**	3,009,459
Less: Cash and cash equivalents	**(655,256)**	(465,613)
Net debt	**1,398,795**	2,543,846
Total equity	**2,082,046**	1,940,540
Total equity and net debt	**3,480,841**	4,484,386
Gearing ratio	**40%**	57%

45. EVENTS AFTER THE REPORTING PERIOD

As of the date of approval of the financial statments, the Group did not have any significant event subsequent to 31 December 2017.

46. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 **RMB'000**	2016 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**–**	–
CURRENT ASSETS		
Cash and cash equivalents	**8**	9
Due from subsidiaries	**524,504**	524,503
	524,512	524,512
CURRENT LIABILITIES		
Due to subsidiaries	**8**	8
	8	8
NET CURRENT ASSETS	**524,504**	524,504
TOTAL ASSETS LESS CURRENT LIABILITIES	**524,504**	524,504
NET ASSETS	**524,504**	524,504
EQUITY		
Issued capital	**14,880**	14,880
Reserves	**509,624**	509,624
Total equity	**524,504**	524,504

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2016	497,358	12,774	510,132
Shares repurchased	(1,203)	–	(1,203)
Profit and total other comprehensive income for the year	–	695	695
At 31 December 2016	496,155	13,469	509,624
Profit and total other comprehensive income for the year	–	–	–
At 31 December 2017	496,155	13,469	509,624

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

FIVE-YEARS FINANCIAL SUMMARY

For the year ended 31 December 2017

The comparative statements of profit or loss in the five year financial summary have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of each year.

	For the Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Represented)	(Represented)	(Represented)	(Represented)
CONTINUING OPERATIONS					
REVENUE	**1,888,193**	642,680	1,332,280	2,117,031	799,780
Cost of sales	**(1,168,338)**	(294,840)	(912,587)	(1,365,676)	(348,183)
Gross profit	**719,855**	347,840	419,693	751,355	451,597
Other income and gains	**163,308**	5,815	16,107	2,724	1,931
Selling and distribution costs	**(172,762)**	(94,250)	(73,392)	(86,847)	(92,043)
Administrative expenses	**(80,321)**	(82,722)	(107,720)	(88,936)	(52,904)
Other expenses	**(107,364)**	(28,414)	(13,627)	(11,149)	(12,365)
Changes in fair value of investment properties	**28,159**	59,396	532,303	16,864	186,802
Finance costs	**(6,626)**	(55)	(1,778)	(3,021)	(4,279)
PROFIT BEFORE TAX	**544,249**	207,610	771,586	580,990	478,739
Income tax expense	**(317,441)**	(179,437)	(274,740)	(264,801)	(218,307)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR FROM CONTINUING OPERATIONS	**226,808**	28,173	496,846	316,189	260,432
DISCONTINUED OPERATION					
Profit/(loss) and total comprehensive income/(loss)for the period from a discontinued operation	**1,842**	(1,153)	(5,014)	(5,154)	(8,607)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**228,650**	27,020	491,832	311,035	251,825
ATTRIBUTABLE TO:					
Owners of the parent	**242,278**	10,211	367,622	330,179	262,292
Non-controlling interests	**(13,628)**	16,809	124,210	(19,144)	(10,467)
	228,650	27,020	491,832	311,035	251,825
ASSETS AND LIABILITIES					
Non-current assets	**3,144,853**	3,165,852	3,075,952	1,959,087	1,902,353
Current assets	**3,608,739**	4,721,338	4,486,998	3,593,468	4,509,669
Current liabilities	**3,306,640**	4,054,876	2,678,496	3,065,090	4,534,159
Non-current liabilities	**1,364,906**	1,891,774	2,974,253	1,546,565	644,136
Non-controlling interests	**113,565**	180,385	162,581	44,884	64,028
Total equity	**2,082,046**	1,940,540	1,910,201	940,900	1,233,727