WEIYE HOLDINGS LIMITED
偉業控股有限公司*

(Singapore Company Registration Number: 198402850E)
(Incorporated in the Republic of Singapore with limited liability)

Hong Kong Stock Code: 1570

** For identification purpose only*

創/新/思/維　大/展/宏/圖

INNOVATING OUR WAY TO GREATER GROWTH

2018 ANNUAL REPORT
年度報告

CONTENTS

CORPORATE PROFILE

With a strong track record of more than 19 years in property development, Weiye Holdings Limited is a leading premium property developer in Henan (one of China's most populous and economically fastgrowing provinces). The Group hopes to strengthen its foothold in Henan and ride on the positive growth dynamics of the region such as resilient property demand and higher urbanisation rates.

In 2008, the Group expanded its presence into Hainan, China's sole major tropical island. The move aims to ride on the Chinese Central Government's plan to transform Hainan into a top international tourism spot by 2020. In light of the resilient demand from China's upper middle class and high income group for sophisticated living in tropical climate with improved urban infrastructure, Weiye has initiated a property investment package of providing holiday homes with property management services. Investors in Weiye's Hainan project stand to be rewarded with good appreciation in property value and recurring rental income from the leasing of these holiday homes to domestic and overseas tourists. The Group's strategy is to promote the vacation living lifestyle and market its properties in Hainan as a favorable vacation home destination for city-dwellers.

For years, Weiye has been specialising in developing large-scale and multi phased property projects. At the end of 2018, Weiye portfolio comprised 30 property development projects which were either completed or under various stages of development in various PRC cities. As of 31 December 2018, we had 20 completed property projects with a total GFA of approximately 1,799,440 sq.m., 4 property projects under development with a total completed and estimated GFA of approximately 946,365 sq.m. and 6 project with planned GFA of approximately 553,252 sq.m. held for future development.

Besides developing properties on its own, Weiye Group has branched out into joint development projects, as well as providing project management services to third-party land owners.

Over the decade, Weiye has garnered numerous industry awards and accolades from local government agencies in recognition of its quality standards in construction and management. These awards are the "Henan Top 50 Real Estate Development Enterprise" (河南房地產開發企業綜合實力50強單位), "Zhengzhou City Leading Property Development Enterprises" (鄭州市房地產開發先進單位), "Zhengzhou City Real Estate Development Enterprise Excellence" (鄭州市房地產開發優秀企業), "Kaifeng City Best Residential Landscape" (開封市最佳人居景觀設計獎), "Economy Development Contribution Enterprise Excellence" (紅旗區經濟發展突出貢獻企業) and etc.

Weiye was listed on the Mainboard of the Singapore Exchange Securities Trading Limited on 16 August 2011 and dual primary listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6 April 2016. The Company voluntarily delisted from the SGX-ST on 24 August 2018.

OUR BUSINESS MODEL

DIVERSIFIED REVENUE

INTEGRATED DEVELOPMENT

Direct acquisition of land bank through open bidding, funding, development, construction and marketing of project carried out by the Group.

JOINT DEVELOPMENT

Collaboration by the Group with third party land owner where project funding and land being jointly invested by the respective parties and project returns being shared based on respective shareholding.

FAST-GROWING BRAND EQUITY

JOINT VENTURE

Collaboration by the Group with third-party owners of land bank. The Group provides the funding of the operations and the share of attributable profits are contractually pre-determined. (The entire project operation and funding being carried out by the Group).

PROJECT MANAGEMENT

Third party provides both land and funding, the Group provides project development and management services and earns a fee in return.

BUILDING PRESENCE, FORGING PARTNERSHIPS

To stay ahead of the evolving landscape, we constantly seek to collaborate with like-minded partners who can reap mutual benefits through sharing knowledge and expertise. Through keeping abreast of market developments and reacting swiftly and appropriately tapping on our innovative strategies and strong team spirits, we are able to pursue stable and sustainable growth, while building on our core competencies and brand name synonymous to quality and value.

CHAIRMAN'S STATEMENT

"Despite the difficult operating environment, through adopting innovative strategies and leveraging on our team synergy, the Group managed to rise swiftly and effectively above those challenges. We continued to focus on developing the five targeted regions we identified, to drive our long-term sustainable growth."

ZHANG WEI
Executive Chairman and Chief Executive Officer

DEAR SHAREHOLDERS,

Looking back at 2018, faced with increasing downward pressures on the China's economic growth, the looming macroeconomic conditions of the property market were equally complicated and uncertain. In pursuing sustainability in its policies, the China Central Government continued to tighten its control through city-differentiated policies and protracted housing curbs to ensure stability in the property market.

Over the past year, a spate of restrictive measures on housing prices, home purchases, home sale, credit tightening and land supply controls were constantly rolled out by local governments across the country. These policies were implemented with an increased focus on multi-level market supervision so as to curb speculation and ensure demand reasonableness, while providing affordable housing for homebuyers and developing the housing rental market at the same time. In light of such tough measures at both demand and supply, the China property market has undoubtedly entered into a "harsh winter period".

Despite the difficult operating environment, through adopting innovative strategies and leveraging on our team synergy, the Group managed to rise swiftly and effectively above those challenges. We continued to focus on developing the five targeted regions we identified – strengthening our development in Henan Province, re-positioning our development in Hainan Province, innovating our development in Pearl River Delta region, accelerating our development in Yangtze River Delta region, and strategical positioning in the Jing-Jin-Ji region (Beijing/Tianjin/Hebei). While continuing to actively grow our land bank, we strive for strict investment management, maintaining stringent cost controls and establishing strategic partnerships, in order to drive the Group's long-term and sustainable growth.

Property Development Business Review

During the year under review, our total net saleable floor area ("NSFA") handed over to customers was approximately 197,012 square metres, a 16% decline as compared to total NSFA of approximately 235,368 square metres in FY2017. However, bolstered by higher average selling prices, we achieved higher property development sales revenue amounting to approximately RMB1.7 billion in FY2018, an increase of 3% as compared to the corresponding period in the previous year.

Revenue from property development sales for FY2018 was mainly from the Weiye Shangcheng Yihaoyuan & Erhaoyuan, Weiye Yehai Shangcheng and Weiye Oxygen Cube A Phase I, II & III projects, which contributed approximately RMB755.6 million, RMB648.0 million and RMB138.0 million, respectively.

With the higher average selling prices from the sales of the Weiye Shangcheng Erhaoyuan and Weiye Yehai Shangcheng projects, the GP margin of our property development business surged by 20% to approximately 32% in FY2018. Following the increased property control emphasis, we shall reasonably adjust our investment structure, further integrate resources and facilitate change and development through collaboration with strategic joint venture partners in the regions.

Equipment Manufacturing Business Review

The sales of equipment comprised mainly sales of clean room equipment, air purification, grilles & diffuser and marine damper products. Sales from this segment amounted to RMB51.3 million in FY2018, which was 26% lower than the same period in the previous year, mainly due to continuous heightening of the property control measures (especially on the sales price cap) in China, as well as the sluggish conditions in the Asia Pacific construction markets, resulting in a drop in the sales of air purification, clean room equipment, diffuser and damper products during the year under review. Amidst the highly competitive market conditions, the average selling prices of some equipment were also affected. Nonetheless, as a result of effective cost control measures, the Group managed to maintain our GP margin for the equipment business at 32% in FY2018, consistent with the corresponding period in the previous year.

In the recent years, the improvement in the air quality has affected the demand for air purification equipment in China. However, the causes for air pollution were complicated and could not be rectified in the short run. We foresee that better quality of life and rising disposable incomes will remain the driving forces behind the long-term demand for air purification equipment for both industrial and residential uses. We will continue to focus on research and development to enhance both our air purification product and service quality, so as to maintain our competitiveness and increase our market share.

Strengthening Collaborations with Strategic Partners

During the year, we forged a strategic partnership with Shenzhen Pangu Tiandi Investment Management Co Ltd. This allowed us to penetrate rapidly into the Fujian province property market based on land use for data industry. We shall seek to build up our land bank via this collaboration and further explore similar opportunities to undertake property projects in other cities.

In the meantime, the Group is actively seeking innovative ways to grow its businesses. By tapping on cooperative opportunities with the Central State-Owned Enterprises (SOEs), we co-establish companies under the mixed ownership reform plan, which enables us to leverage on their core competencies and competitive advantage in the property development sector, to jointly develop new projects, city urban redevelopment as well as infrastructure construction projects, as we strive to build our presence and extend our reach in the future.

With the rapid development of China's Belt and Road Initiative, we have also set sight to venture into new markets in the Southeast Asia region, especially in Singapore, Malaysia, Thailand, Vietnam and Cambodia, as we foresee that the rapid economic growth of these countries will fuel the development of their respective property markets in the near term. We are currently in the midst of building an overseas business unit for possible ventures into these emerging markets, so as to deepen our understanding of the socio-economic situation in the region and facilitate our expansion plans in the future.

Strategy and Outlook

Looking ahead, we expect the China government's campaign to cool the property market to continue in FY2019. Inevitably, this will continue to pose many challenges for our operating environment in the near term.

We will forge forward by deepening our understanding of the government's policies and conducting in-depth study of the market trends, so as to stay abreast of and react to market developments swiftly and appropriately. The Group will strive to pursue stable and sustainable growth through adopting innovative strategies and nurturing a team-spirited enterprise culture, further leveraging on new digital media and popular application platforms like WeChat and We Media to build on our core competencies and brand name synonymous to quality and value. We will also, through innovative real estate development, engage in precise land banking, and accelerate sales promotion and marketing of our property projects at the same time in order to ensure healthy cash flow and stable development.

Internally, to better manage our operating expenses, we continue to tap on data technology to integrate functions and systems within the Group. We set up systems like cost management data system, product technology data system as well as an integrated resource centre to conduct quality checks and controls to uphold overall quality standards and optimise cost savings. At the same time, to tackle the tightened credit measures, the Group continues to explore innovative ways to diversify our financing channels through equity investment and corporate financing, so as to ensure that we have adequate capital and financing capabilities for future expansions and acquisitions.

"During the year, we forged a strategic partnership with Shenzhen Pangu Tiandi Investment Management Co Ltd. This allowed us to penetrate rapidly into the Fujian province property market based on land use for data industry."

The Group believes that people are valuable assets. By emphasising on our corporate culture of team spirits, synergy, hardworking and diligence, we shall continue to strengthen the quality of our work force, acquire and retain talents, train and equip our staff with the right skills and knowledge in order to achieve and scale greater heights together.

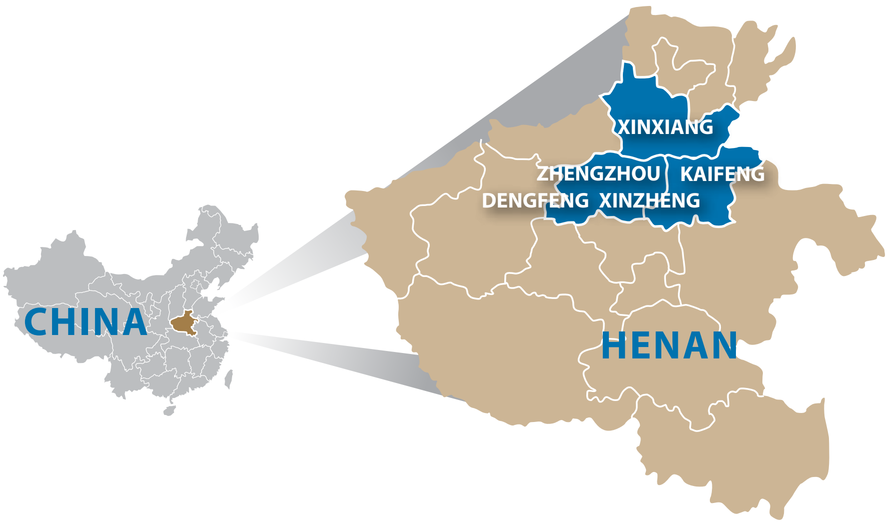
In Appreciation

In closing, on behalf of the Board of Directors, I would like to express my heartfelt appreciation to our management team and all employees for the dedication and value they bring to the Group. I would also like to constantly extend my heartfelt gratitude to all our shareholders and strategic partners for your unwavering trust and relentless support all these years. As we forge forward to our next growth phase, we will strive to constantly innovate and rise above the challenges ahead, to achieve sustainable growth.

ZHANG WEI
Executive Chairman and
Chief Executive Officer

OPERATIONS REVIEW

STRENGTHENING OUR DEVELOPMENT IN *HENAN PROVINCE*



Henan: Strategic Location, Growing Momentum

The Henan Province is strategically located at the heart of China, and is a major transportation hub vastly connected through highways and railways. Well-placed in the Central Plains Economic Region ("CPER"), the fast-growing capital of Henan Province, Zhengzhou, plays a crucial role in driving the economic growth in this region.

In 2018, Zhengzhou's GDP surpassed the RMB trillion mark, with its GDP per capita exceeding RMB100,000 and a total resident population of over 10 million, signifying the beginning of its next phase of growth. In addition, its tertiary industries continue to flourish, contributing over half of the city's GDP with a 2.3% growth year-on-year.

As Zhengzhou continues to enhance its connectivity with the other cities through its high-speed railways, it is set to boost the synergetic development within Central China, as it ushers in the next chapter of growth.

Property Market Review

Zhengzhou has always been the cornerstone of the Group's development strategy. In 2018, despite facing a cooling property market, the total number of new-built homes in Zhengzhou exceeded 400,000 units with a total net saleable floor area ("NSFA") of approximately 37.1 million square metres, representing an increase of 19.8% as compared to 2017. Specifically, NSFA from residential property sales went up by 21.8% during the year to approximately 33.3 million square metres. The tough measures have fuelled stronger buying sentiments from homebuyers, pushing home sales under 90 square metres to grow at a faster rate of 34.6%, thereby uplifting the average selling prices by RMB313. These have brought about a stable growth in the property market within this region.

With its strategic location in the Henan Free Trade Zone, the Central Government has placed emphasis on developing Zhengzhou through actively attracting businesses and investments to this city. Coupled with its ease of accessibility, we believe that the property markets in Zhengzhou and its neighbouring cities will continue to grow at a healthy and steady pace.

COMPLETED PROJECTS


Hong Jing Jia Garden


Die Cui Garden


Cai Fu Centre


Cai Zhi Guang Chang


Qing Qing Mei Lu


Weiye Xi An


Weiye Zhi Hua Shi


Xingwei Resettlement House Phase I


Weiye Ru Guo Ai


Weiye Xiangdi Bay Phase I, II & III


Weiye Tiandao Tianheshuian


Weiye Paris Impression


Weiye Tiandao International


Weiye Shangcheng Yihaoyuan & Weiye Shangcheng Erhaoyuan

Development Projects & Strategy

In FY2018, the Group continued to focus on the development of our existing projects, while gaining a stronger foothold in Zhengzhou and its surrounding cities. Besides constantly undertaking city urban redevelopment projects, quality property projects and land acquisitions, we are also exploring opportunities in collective construction on urban land use and smart parking facilities and resource management solutions, as to expand and grow our businesses. In addition, we are also actively seeking to forge strategic partnerships with State-Owned Enterprises (SOEs) to establish companies under the mixed ownership reform plan to tap on their competitive advantage to achieve an innovative and strategic collaboration.

As we continue to deepen our presence in this region, we will leverage on our long-standing brand and our deep and diverse knowledge in the Henan Province, to undertake more quality projects with high returns. As at 31 December 2018, we had a total of 16 development projects in the Henan Province currently held for sales or investment with 14 projects fully completed, 1 project undergoing development and 1 project held for future development. These projects are as follows:

PROJECTS UNDER DEVELOPMENT


Weiye Central Park Phase V
(Phase I, II, III & IV completed)

PROJECTS HELD FOR FUTURE DEVELOPMENT


Weiye Shangcheng Sanhaoyuan

OPERATIONS REVIEW

REPOSITIONING OUR DEVELOPMENT IN *HAINAN PROVINCE*

Hainan: Driving Tourism, Boosting Economic Growth

Hainan is China's southernmost province, widely recognised as a popular tourist destination and was officially designated as an "International Tourism Island" by the Central Government in 2010. With its plans to enhance its five seaports and launch a round-island tourism sea route in place, this well-connected island has further elevated its status as an attractive tourist spot for locals and foreigners alike.

According to national statistics, Hainan Province received approximately 76.3 million visitors in 2018, an increase of 11.8% year-on-year. Among them, more than 1.3 million were overnight visitors, representing a 12.9% growth. In all, they contributed a record of approximately RMB95.0 billion in tourism revenue, a 14.5% surge as compared to 2017. Duty-free shopping in Haikou and Sanya continued to be a popular activity among tourists, as approximately 2.9 million shoppers contributed about RMB10.1 billion in retail proceeds in 2018, a significant increase of 26% year-on-year. With the unveiling of the pilot Hainan Free Trade Zone, it is well-poised to achieve greater economic success.

Property Market Review

As favourable news like the celebration of its 30th anniversary and becoming a Free Trade Zone continued to push property prices northwards, the local government tightened its restrictive measures on house purchases, resulting in downward pressures in the property market in 2018, with a total NSFA from property sales of 14.3 million square metres and a drastic drop of 37.5% in sales which amounted to RMB208.3 billion.

With Hainan's favourable living conditions continuing to draw new homebuyers and accelerate the demand for quality properties, we foresee that the local government's efforts to cool the property market through housing curbs to persist. With its push to enhance the market and product framework as well as develop both housing and rental markets, we endeavour a sustainable market ecosystem that can safeguard the interests of homebuyers and offer a stable supply of quality properties.

REPOSITIONING OUR DEVELOPMENT IN *HAINAN PROVINCE*

Development Projects & Strategy

Faced with complex policies and evolving uncertainties, the Group repositioned our development in FY2018, to broaden our suite of products and services by venturing into industrial real estate development that will offer hospitality and facilities management services. We continued to expand our core development projects within high-growth areas like Sanya and Haikou, while cautiously exploring other projects involving logistics services management and redevelopment of farms and villages. We are also looking into possible collaborations with SOEs and the local government to undertake joint development projects that provide integrated and smart solutions comprising of facilities management, housing and rental, as well as the hospitality services. As at 31 December 2018, we had a total of 7 development projects in the Hainan Province currently held for sales or investment with 6 projects fully completed and 1 project held for future development. These projects are as shown:

PROJECTS HELD FOR FUTURE DEVELOPMENT


Weiye Costa Rhine - Phase II

COMPLETED PROJECTS


Weiye Costa Rhine


Weiye Oxygen Cube B


Weiye Rhine Coast

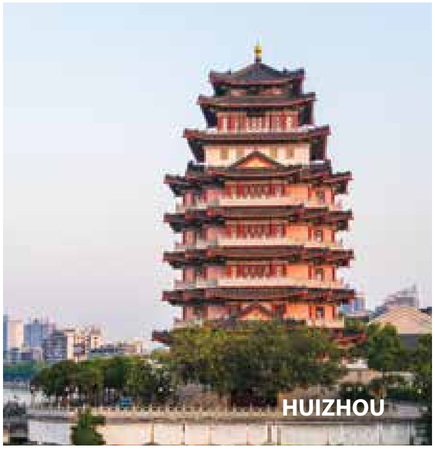

Weiye Yehai Shangcheng


Weiye West International Plaza


Weiye Oxygen Cube A Phase I, II & III

OPERATIONS REVIEW

INNOVATING OUR DEVELOPMENT IN *PEARL RIVER DELTA REGION*



Pearl River Delta: Well-Connected Transport, High Spending Power

The Pearl River Delta comprises of nine cities in the Guangdong Province, namely Guangzhou, Shenzhen, Foshan, Zhuhai, Dongguan, Zhongshan, Huizhou, Jiangmen and Zhaoqing. Situated right beside Hong Kong and Macau and overlooking Southeast Asia across the sea, it is long known as the "Southern Gate" to China.

Within this region, the comprehensive rapid transit system provides a safe and highly efficient way to travel across different cities which includes inter-city rapid transit connecting Guangzhou and Zhuhai, Guangzhou, Foshan and Zhaoqing, and Dongguan and Huizhou as well as railway connecting Guangzhou and Foshan. Today, this region is one of the largest and most matured consumer markets in China, contributed mainly by the large influx of visitors every year, as well as its rapid development of innovative technology, driving strong and consistent demand for its consumer products.

Property Market Review

Amidst protracted cooling measures to curb housing demand, the total NSFA of properties sold in this region dropped by 10.4% in 2018, especially in Shenzhen where tougher restrictions on purchases were reinforced to curb property investment and speculative buying, thereby easing price growth and increasing home buying sentiment.

With the rapid development of the Guangdong-Hong Kong-Macau Greater Bay Area, we foresee that more homebuyers will be drawn to the Bay Area. Shenzhen which is strategically placed at the heart of this area offers a sweet spot with its promising outlook, as it continues to lure buyers from the other cities in the Bay Area. We are confident that the well-connected transport system and the fast-growing high-tech industries will continue to drive the steady growth of the property market in the Pearl River Delta region.

Development Projects & Strategy

After a year of intense yet steady development, the Group has managed to successfully gain a foothold in this region in FY2018. As we continue to make headway, we have set out plans to explore opportunities in Shenzhen and its neighbouring cities (Shenzhen, Dongguan and Huizhou as our primary focus), while seeking strategic collaborations with professional land developers or agencies in joint development projects.

We constantly set high quality standards in the projects we undertake, and set out plans to partner SOEs in infrastructure projects through principal-agent construction contracts when the opportunities arise, so as to ensure positive yields and sustainable returns. As at 31 December 2018, we had a total of 2 development projects in the Pearl River Delta region currently held for sales or investment with 2 projects undergoing development. These projects are as shown:

PROJECTS UNDER DEVELOPMENT

Weiye Lantingwan

Weiye Meiyuewan

ACCELERATING OUR DEVELOPMENT IN *YANGTZE RIVER DELTA REGION*

Yangtze River Delta: High Capabilities, Dynamic Growth

The Yangtze River Delta region consists of one city and three provinces, namely Shanghai city, Jiangsu Province, Zhejiang Province and Anhui Province. The Yangtze River Delta region is widely known as the economic hub of China. Anchored by the Yangtze River Delta region, the Yangtze Economic Belt is probably China's most important economic growth engine.

With the rapid economic development driven by fast-growing digital technology, many IT talents have flocked to this region in recent years, especially to Shanghai, Hangzhou and Suzhou, as they foresee growth potential in these cities. As the market integration in this region continues to pick up speed, the development of industries, transportation and finance will take flight, luring even more talents across diverse industries to this region, thereby driving home buying sentiment and the long-term development of the property market.

Property Market Review

In 2018, though the total NSFA from property sales in the 24 cities in this region increased by 7% year-on-year to approximately 130 million square metres, the effects from the restrictive measures on property purchases, housing prices, credit tightening and home sales had inevitably resulted in a roller-coaster ride in the property market, from an initial rise to a sharp fall towards the end of the year, especially in the first and second-tier cities. Among them, the property sales decline in Shanghai was most apparent, as the inventory clearance rate tumbled from 60% in the beginning of the year to only 37% in the second half of the year.

Nevertheless, with President Xi Jinping's recent announcement on the pilot expansion of the Shanghai Free Trade Zone to further ease cross-border trade and investment in November 2018, as well as moves to expedite the market integration of the Yangtze River Delta region, we believe that these favourable factors will fuel the home demand and steady development of the property market, especially the more developed cities within the region.

OPERATIONS REVIEW

ACCELERATING OUR DEVELOPMENT IN *YANGTZE RIVER DELTA REGION*

Development Projects & Strategy

Amidst the "frost bites" experienced by the property market, the Group continued to deepen our research and understanding of this market, while setting priority on the development of quality properties. We will adopt the business model of "riding industry trends to direct real estate development", to build up land banking, while engaging construction agents and land distributions to achieve healthy cash flows, cost optimisation and high liquidity.

Moving forward, we will focus on the investment and development of projects within the economic circle surrounding Shanghai. We will seek joint venture projects, and through acquisitions and industrial development projects to expand our businesses and increase our land bank. As at 31 December 2018, we had a total of 3 development projects in the Yangtze River Delta region currently held for sales or investment with 1 project undergoing development and 2 projects held for future development. These projects are as shown:

PROJECTS UNDER DEVELOPMENT



Taihu Tiancui

PROJECTS HELD FOR FUTURE DEVELOPMENT

Yuejiangwan

Yuediwan

STRATEGICAL POSITIONING IN *THE JING-JIN-JI REGION*

Jing-Jin-Ji: Integrating Strengths, Propelling Growth

Jing-jin-ji is the national capital region of China, comprising of Beijing city, Tianjin city and 11 other cities in the Hebei Province such as Baoding, Tangshan, Langfang, Qinhuangdao, Zhangjiakou, Shijiazhuang etc. With plans to speed up the integration of these three areas (Beijing, Tianjin and Hebei) into a megacity, offices and industries which have non-capital functions are expected to gradually move out of the densely-populated Beijing to the other nearby cities in the Hebei Province.

2018 marked the fifth year for this massive integration and urbanisation exercise, with concrete plans laid out by the Central Government to facilitate the migration of the industries. With the rapid development of the high-speed railway between Beijing, Tianjin and the cities in Hebei, we expect influx of capital as well as talents to move to Hebei, which will fuel the growth of the property market.

Property Market Review

With the ongoing cooling measures in place, the property market within this region experienced fresh chills in 2018. Total NSFA from property sales plummeted by 24% year-on-year, to approximately 36.7 million square metres during the year. Specifically, although property sales in Beijing and Tianjin dipped marginally, their average selling prices remained high, especially in Beijing where the average selling price increased by 7% to approximately RMB48,000 per square metre.

Despite the "painful frost bites" in the short term, we expect that the push for quickened market integration within the region will promote the growth of neighbouring areas outside Beijing, such as the Beisanxian area in the Langfang city, bringing about the development of the basic infrastructure, railways, medical and healthcare industries in that area. These favourable factors will in turn draw talents to work and live beyond Beijing and Tianjin, thereby boosting home demand in this region.

Development Projects & Strategy

In FY2018, we continued to focus on the economic circle surrounding Beijing, as we seek to undertake city redevelopment and industrial development projects. We are also exploring land purchases through equity swaps, as well as joint development projects to secure contracts and kick-start our operations in this region. While seeking the right opportunity to set up our business unit in this region, we will continue to place emphasis on managing our risks, and forge strategic collaborations that can reap mutual benefits.

OPERATIONS REVIEW

DEEPENING COLLABORATION WITH *PANGU*

In FY2018, the Group inked a strategic partnership agreement with Pangu Tiandi Investment Management Co Ltd to develop an industrial land spanning 85,000 square metres. This facilitated the Group's rapid entry into the Fujian property market through developing land use for data industry. We will leverage on this strategic alliance to capitalise on any opportunities to build up our land bank. As we worked to strengthen our foothold in Fuzhou, we have also set sight on Wuhan, Chongqing and other cities where we will further explore opportunities to undertake property projects of similar nature.

As we focus on the development of our existing projects, we will also expedite the setting up of our business unit, forge possible collaborations with SOEs in this region, and devise sales strategies appropriate for industrial properties, such as developing start-up centres, to leverage on the rental market trends to ensure constant flows of cash and returns. As at 31 December 2018, we had a total of 2 development projects in Fuzhou region currently held for sales or investment with 2 projects held for future development. These projects are as shown on the right:

PROJECTS HELD FOR FUTURE DEVELOPMENT

Pangu - Fujian Tianzhi.Tianjiao

SETTING SIGHT ON *SOUTHEAST ASIAN MARKETS*

With the rapid development of China's Belt and Road Initiative, we have also set sight to venture into new markets in the Southeast Asian region, especially in Singapore, Malaysia, Thailand, Vietnam and Cambodia, as we foresee that the rapid economic growth of these countries will fuel the development of their respective property markets in the near term. We are currently in the midst of building an overseas business unit for possible ventures into these emerging markets, so as to deepen our understanding of the socio-economic situation in the region and facilitate our expansion plans in the future.

FINANCIAL HIGHLIGHTS

(RMB' MIL)	FY14	FY15	FY16	FY17	FY18
REVENUE					
Property Development	899.3	1,044.5	681.6	1,678.9	**1,726.7**
Housing Construction	325.1	113.3	0.2	-	**-**
Equipment Manufacturing	69.3	76.9	59.6	69.1	**51.3**
Total	1,293.7	1,234.7	741.4	1,748.0	**1,778.0**
GROSS PROFIT					
Property Development	239.5	292.4	191.9	206.6	**549.3**
Housing Construction	71.5	3.3	(0.3)	-	**-**
Equipment Manufacturing	24.1	30.5	20.8	21.3	**16.6**
Total	335.1	326.2	212.4	227.9	**565.9**
GROSS PROFIT MARGIN					
Property Development	27%	28%	28%	12%	**32%**
Housing Construction	22%	3%	(150%)	0%	**0%**
Equipment Manufacturing	35%	40%	35%	31%	**32%**
Total	26%	26%	29%	13%	**32%**

(RMB' MIL)	FY14	FY15	FY16	FY17	FY18
Net Profit	271.0	106.6	79.1	134.5	**160.3**
Earnings Before Interest, Tax, Depreciation and Amortisation	466.6	223.2	141.8	215.5	**423.1**
Equity Attributable to Owners of the Company	1,047.3	1,140.0	1,201.3	1,324.1	**1,486.7**
Total Assets	4,464.2	5,129.9	6,210.7	6,279.3	**6,923.9**
Total Liabilites	3,291.1	3,851.6	4,831.5	4,754.6	**5,174.7**
Net Debts*	1,111.2	1,371.3	2,000.7	1,191.6	**1,205.6**

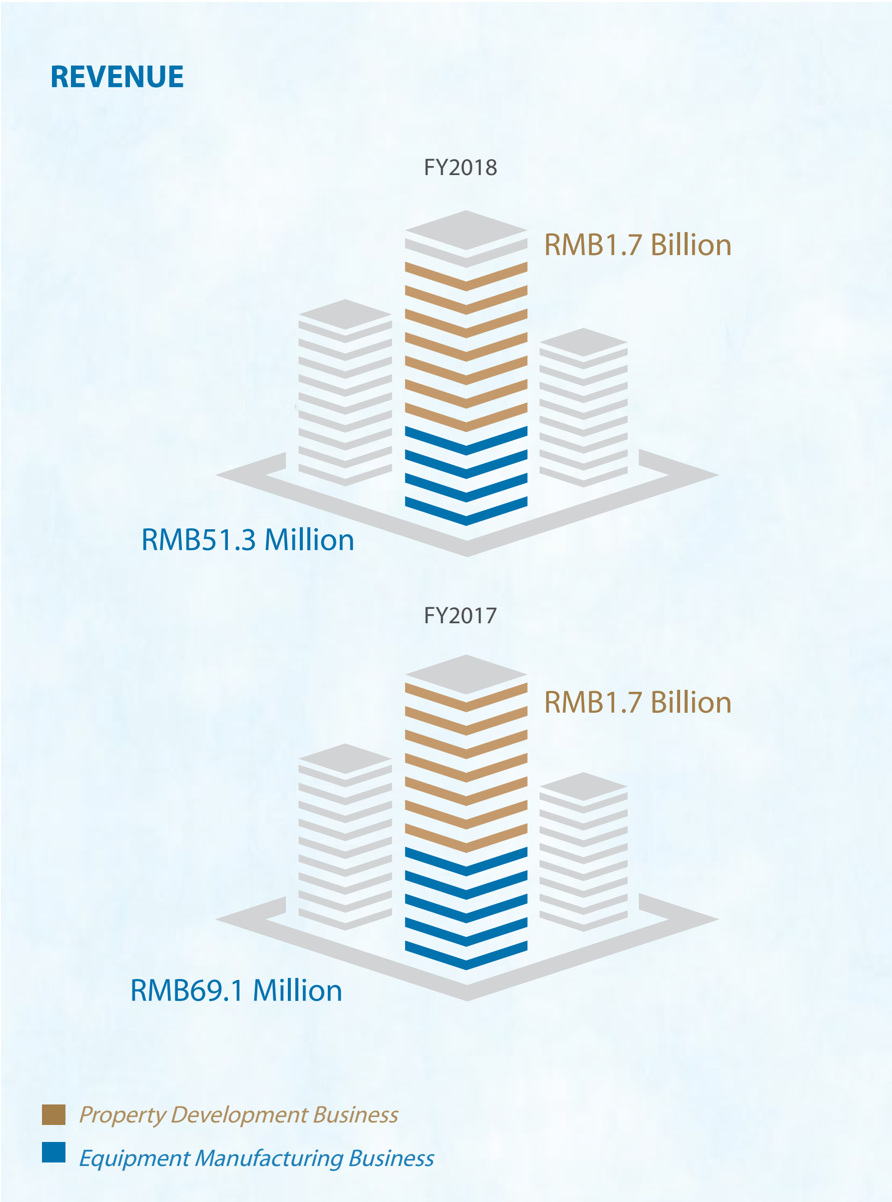
** Interest bearing debts (-) cash and cash equivalents*

Interest Coverage Ratio (times)	4.1	1.8	0.7	1.3	**2.3**
Earnings per Share (RMB' cents)**	131.7	48.0	33.3	63.1	**84.8**
Net Asset Value per Share (RMB)**	5.3	5.8	6.3	6.8	**7.6**
Net Debts to Equity Attributable to Owners of the Company Ratio (%)	106%	120%	167%	90%	**81%**

*** Adjusted for effect of share consolidation for FY2014*

FINANCIAL REVIEW

FY2018 proved to be a very challenging year for the Group as we were confronted with the sustained property cooling measures in China. However, the Group stayed rooted in strength through collaborations with strategic partners and concerted team efforts within the Group, and managed to achieve a total revenue of approximately RMB1.8 billion with an 2% increase as compared to FY2017. Correspondingly, the Group also reported a higher net profit of approximately RMB160.3 million during the year under review, representing a growth of 19% year-on-year.



Property Development Business Segment

During the year, despite a drop in our total net saleable floor area ("NSFA") handed over to customers to approximately 197,012 square metres (FY2017: 235,368 square metres), the higher average selling prices from the sales of the Weiye Shangcheng Erhaoyuan and Weiye Yehai Shangcheng projects bolstered our performance and we have secured a 3% increase in total property sales to approximately RMB1.7 billion as compared to FY2017.

Revenue from property development sales for FY2018 was mainly from the following projects, namely Weiye Shangcheng Yihaoyuan & Erhaoyuan, Weiye Yehai Shangcheng and Weiye Oxygen Cube A Phase I, II & III, which contributed approximately RMB755.6 million, RMB648.0 million and RMB138.0 million respectively.

The gross profit ("GP") of the property development business for FY2018 amounted to approximately RMB549.3 million, an increase of approximately 166% from the same period in the previous year. The GP margin rose by 20% as compared to FY2017 mainly due to higher average selling prices from the sales of the Weiye Shangcheng Erhaoyuan and Weiye Yehai Shangcheng projects.

Equipment Manufacturing Business

This segment registered a revenue of approximately RMB51.3 million in FY2018 which represented 26% lower than the same period in the previous year. This was mainly due to continuous heightening of the property control measures (especially on the sales price cap) in China, as well as sluggish conditions in the Asia Pacific construction markets, resulting in a drop in the sales of air purification, clean room equipment, diffuser and damper products during the year under review.

This in turn resulted in a 22% decline in our gross profit to approximately RMB16.6 million, as compared to FY2017. Despite a dip in the revenue and gross profit, the GP margin for equipment manufacturing business was able to stay consistent at approximately 32%, mainly due to savings in operating cost.

Other Income and Other Operating Expenses

Other income increased by approximately 8% in FY2018, primarily due to income from Henan Meiyuan Co., Ltd ("Henan Meiyuan") for termination of a joint development project of approximately RMB68.4 million. Pursuant to the collaboration agreement with Henan Meiyuan, should the Group fail to successfully bid for a land use rights held by Henan Meiyuan, Henan Meiyuan shall return the cash advance to the Group together with interest accrued thereon and such project termination compensation. The land bid process for said land use rights was completed in 1Q2017 but the Group did not succeed in the bidding for the land use rights. The Group have finalised a settlement agreement with Henan Meiyuan and received such compensation income in FY2018.

Selling and Distribution Expenses

Selling and distribution expenses amounted to approximately RMB53.5 million in FY2018, registering an increase of 30%. This was mainly due to more promotional activities for development projects, namely Weiye Yehai Shangcheng and Weiye Shangcheng Erhaoyuan during the year under review.

Administrative Expenses

Administrative expenses for FY2018 was approximately RMB164.3 million, which was 17% higher than the same period in the previous year. This was mainly due to the increase in professional fees for the Group's delisting from the Stock Exchange of Singapore and expansion of property development business in the Yangtze River Delta region during the year under review.

Net Finance (Costs)/Income

Finance costs was reported in FY2018 at approximately RMB32.3 million, representing a fall of 14%, this was mainly attributed to the savings in interest cost during the year. Finance income for FY2018 was at approximately RMB14.4 million, 67% lower as compared to same period in the previous year mainly due to interest income earned on cash advance to Henan Meiyuan in FY2017.

Income Tax Expense

The increase in income tax expense for FY2018 was mainly due to higher provision of corporate income tax of approximately RMB62.6 million as a result of higher net profit before tax during the year under review, and higher provision of land appreciation tax of approximately RMB85.8 million as a result of higher average selling prices of certain development property. This was partially offset by lower deferred tax expense of approximately RMB4.3 million.

Review of Financial Position

The increase in development properties of approximately RMB707.2 million was mainly due to the progressive construction works of Taihu Tiancui, Weiye Meiyue Wan and Weiye Lanting Wan and land acquisition cost of Yangzhou Yuejiang Wan and Yuedi Wan in the year under review, partially offset by sales of development properties for Weiye Yehai Shangcheng, Weiye Shangcheng Yihaoyuan & Erhaoyuan and Oxygen Cube A Phase I, II & III.

The decrease in trade and other receivables of approximately RMB56.8 million was mainly due to the decrease in receivables from third parties of approximately RMB194.6 million and repayment from joint venture partner of approximately RMB128.7 million, partially offset by prepayment of acquisition cost for Zhusanjiao Jinlida and Henan Kelong property development projects of approximately RMB168.0 million and refundable land tender deposit for Henan Xingwei land plot #3 of approximately RMB91.6 million.

The increase in other investment was mainly due to purchase of financial products of approximately RMB11.3 million, partly offset by the disposal of available for sale financial assets of RMB3.0 million and fair value loss on quoted equity investment of approximately RMB2.7 million in the year under review.

FINANCIAL REVIEW

"The Group stayed rooted in strength through collaborations with strategic partners and concerted team efforts within the Group, and managed to achieve a total revenue of approximately RMB1.8 billion with an 2% increase as compared to FY2017.

The increase in trade and other payables of approximately RMB452.8 million was mainly from additional billings for construction of new and uncompleted projects such as Weiye Yehai Shangcheng, Taihu Tiancui, Weiye Meiyue Wan and Weiye Lanting Wan, and loan from minority shareholders of Yuejiang Wan and Yuedi Wan projects for land acquisition purpose in the year under review.

The decrease in contract liabilities was mainly due to reversal of advance receipts caused by sales recognition from projects such as Weiye Shangcheng Yihaoyuan and Erhaoyuan and Weiye Yehai Shangcheng in the year under review, partly offset by an increase in advance receipts from sale of Weiye Meiyue Wan.

The net increase in loans and borrowings was mainly due to additional loans and borrowings obtained to finance the development of property projects.

Cash Flow Management

Cash flows from operating activities before changes in working capital amounted to approximately RMB425.7 million. Cash used in working capital amounted to approximately RMB730.4 million mainly due to increase in development properties of approximately RMB538.4 million, trade and other receivables of approximately RMB85.2 million and decrease in contract liabilities of approximately RMB162.9 million, partly offset by increase in trade and other payables of approximately RMB93.9 million. After changes in working capital and payment for income tax of approximately RMB94.3 million, net cash flow used in operating activities amounted to approximately RMB399.0 million.

Net cash generated from investing activities amounted to approximately RMB151.5 million, mainly due to repayment from joint venture partner of approximately RMB128.7 million, proceeds from disposal of investment properties of approximately RMB5.8 million and interest received of approximately RMB30.8 million, partly offset by purchase of other investments of approximately RMB11.3 million and purchase of property, plant and equipment of approximately RMB4.8 million.

Net cash generated from financing activities amounted to approximately RMB122.8 million mainly due to proceeds from loans and borrowings of approximately RMB732.9 million, increase in amount due to non-controlling interests of approximately RMB322.0 million and capital contribution from non-controlling interest of RMB68.0 million, partly offset by repayment of loans and borrowings of approximately RMB732.9 million, increase in restricted cash of approximately RMB154.6 million, and interest payment of approximately RMB192.6 million.

As at 31 December 2018, our Group's cash and cash equivalents amounted to approximately RMB529.2 million, recording a 19% drop as compared to same period in the previous year.

Financial Resources and Liquidity

As at 31 December 2018, the Group's net current assets amounted to approximately RMB1.4 billion, a marginal 6% dip as compared to FY2017. This was mainly due to increase in trade and other payables and bank loans and borrowings of approximately RMB954.1 million, partially offset by increase in development properties and trade and other receivables of approximately RMB779.1 million.

Our bank and other borrowings are denominated in Renminbi, Singapore Dollar and Malaysia Ringgit. As at 31 December 2018, our total outstanding loans and borrowings amounted to approximately RMB2.0 billion. Particulars of bank and other borrowings of our Group as at 31 December 2017 are set out in Note 23 to the financial statements.

Treasury and Investment Management

We prepare our monthly, quarterly and annual cash flow budgets in accordance to our Group's internal rules and regulations, to forecast and manage the working capital needs of our Group and subsidiaries for business expansion and other investments, to ensure that there is sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses, or risking damage to the Group's reputation.

In order to ensure the proper application of funds available to our Group investment, we have established policies and procedures on our investment management. Generally, our investment manager is responsible for managing and monitoring our investment portfolio on a daily basis.

Any fund transfer for trading purposes, acquisitions and disposal of any investments shall be reviewed by our senior management and approved by our Executive Chairman before execution. Our investment manager will prepare monthly trading summary report comprised of the detailed balance of our investment portfolio, balance of our available fund and trading gain or loss as of the month end and report to our senior management and Executive Chairman.

Employees and Remuneration

As at 31 December 2018, there were 403 employees (FY2017: 425) in the Group. Total employee benefits expenses of the Group (including Directors' fee) for twelve months period ended 31 December 2018 were approximately RMB73.9 million (FY2017: RMB77.9 million). Staff remuneration packages are determined based on each employee's qualifications, experience, position and seniority. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and Group's results of operations.

Charge of Assets

The bank borrowings for the Group include banker's acceptance, finance lease liabilities and bank loans of its subsidiaries. The bank borrowings are secured by investment properties, legal mortgages of the property development units, and corporate guarantee from the Company as well as guarantees from the third party companies. Particulars of charge of assets

of our Group as at 31 December 2018 are set out in Note 4, 6, 19 and 23 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, redemption or sale of listed securities of the Company in the twelve months ended 31 December 2018.

Gearing Ratio

Gearing ratio is calculated based on our total debt divided by total equity attributable to owners. Total debt includes interest bearing bank and other borrowings. As at 31 December 2018, our Group has gearing ratio of 81% (31 December 2017: 90%). Details of the gearing ratio are set out in Note 37 to the financial statements.

Foreign Exchange Exposure

Our Group's property development, housing construction, and cleaning room equipment and air diffusion businesses are principally conducted in RMB and SGD, which are the functional currencies of the respective subsidiaries of our Group. Most of our Group's monetary assets and liabilities are denominated in RMB and SGD. Our business operations do not involve much of international transactions. Accordingly, our Group considers that our Group's exposure to foreign currency risk is not significant and hence our Group does not employ any financial instruments for hedging purposes.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in Note 34 to the financial statements, which included the guarantees given to banks in connection with banking facilities granted to third party property customers.

Material Acquisition and Disposal of Subsidiaries

There was no material acquisition and disposal of subsidiaries by the Group during the twelve months ended 31 December 2018.

BOARD OF DIRECTORS

ZHANG WEI （張偉） AGE 49
Executive Chairman and Chief Executive Officer

CHEN ZHIYONG （陳志勇） AGE 48
Executive Director and Chief Operating Officer

LIU NING （劉寧） AGE 54
Lead Independent Non-Executive Director

DONG XINCHENG （董心誠） AGE 52
Independent Non-Executive Director

LAM YING HUNG ANDY （林英鴻） AGE 54
Independent Non-Executive Director

ZHANG WEI (張偉)

Executive Chairman and Chief Executive Officer

Mr. Zhang Wei, aged 49, is chairman of the Board, an executive Director and Chief Executive Officer. He is responsible for the Group's strategic planning and the overall business development decision making.

Mr. Zhang has over 24 years of experience in the real estate industry. He joined Henan Weiye in June 2002 and has been the sole director of Great Spirit Management Limited since its establishment in 2009. He has been the chairman of the Board since the Reverse Takeover in 2011. Mr. Zhang currently holds certain positions in the members of our Group, namely, director of Great Spirit Management Limited and Weiye Holdings (Hong Kong) Limited; and the legal representative, executive director and manager of Hainan Hongji Weiye Property Development Co., Ltd and Hongji Weiye (Hainan) Non Movable Property Management Group Co., Ltd.

From July 1990 to July 1993, he was the operation manager, responsible for the company's operations, in China Construction No. 7 Engineering Bureau Zhongyuan Property Development Company* (中國建設第七工程局中原房地產開發公司), which principally engaged the business of construction and property development. From July 1993 to March 1994, he was the deputy manager of Henan Xinya Property Co., Ltd.* (河南新亞置業有限公司), a company engaged in the business of property development. From March 1994 to August 1998, he was the general manager, and was later promoted to the managing director, responsible for the overall business operation of the company, in Henan Xinfeng Property Co., Ltd.* (河南新豐置業有限公司), which engaged in the business of property development.

Mr. Zhang was certified as an economist by Henan Province Science Committee* (河南省科技委員會) in November 1996. He obtained a Master's in Business Administration from Macau University of Science and Technology (澳門科技大學) in Macau Special Administrative Region of the PRC in September 2003. Mr. Zhang is the brother-in-law of Mr. Chen Zhiyong, our Executive Director and Chief Operating Officer.

CHEN ZHIYONG (陳志勇)

Executive Director and Chief Operating Officer

Mr. Chen Zhiyong, aged 48, is our executive Director and chief operating officer. He is responsible for supervising Henan region group in determine their development plans and target and assist regional group in solving operational issues and project financing.

Mr. Chen has over 23 years of experience in the real estate industry. He joined Henan Weiye in July 2000, responsible for property development management, and was later promoted to the position of Chief Executive Officer of Henan Weiye in 2010. He has been an Executive Director and the Chief Executive Officer of our Company since the Reverse Takeover in August 2011. On 27 February 2014, he was re-designated as the Chief Operating Officer of our Company. Mr. Chen currently holds certain positions in the members of our Group, namely, the legal representative and Executive Director of Jinwei (Henan) and Xinxiang Weiye; the legal representative, Executive Director and General Manager of Hongji Weiye, Henan Weiye and Henan Tiandao; and the legal representative of Henan Xingwei, Hanwei Zhiye, Guangdong Leiding, Huizhou Dayawan and Huizhou Dayawan Pengrun.

From 1988 to 1993, he worked in the infrastructure department in Zhengzhou City Heavy Industry Management Authority (鄭州市重工業管理局). From 1993 to 1998, he was the manager of the project management department in the No. 2 engineering department of the Zhongjian No. 7 Bureau No.4 Construction Engineering Company* (中建七局第四建築工程公司), a company principally engaged in the business of construction where he was responsible for the management of the construction of the property.

Mr. Chen graduated from Naval University of Engineering, PLA (中國人民解放軍海軍工程大學) in Wuhan City, Hubei Province, the PRC, with a degree in project management in June 2006. Mr. Chen is the brother-in-law of Mr. Zhang Wei, the Chairman of the Board and an Executive Director.

BOARD OF DIRECTORS

LIU NING (劉寧)

Lead Independent Non-Executive Director

Mr. Liu Ning, aged 54, has been appointed as the lead independent non-executive Director, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nominating Committee with effect from 19 December 2018.

Mr. Liu is the managing director of Shinovation Capital Corporation Co., Ltd.. He obtained Bachelor's of Engineering from Tongji University (同濟大學) in July 1986 and obtained a master degree of Business Administration from Macau University of Science and Technology (澳門科技大學) in April 2002. He is an engineer and a senior economist.

Mr. Liu was the general manager of Shanghai Jinjiang International Hotels Development Co., Ltd. (formerly known as Shanghai New Asia (Group) Co., Ltd.), a company listed on Shanghai Stock Exchange (stock code: 600745) between June 2000 and June 2003, the president assistant, deputy managing director of property department and the general manager of Shanghai Jinjiang International Holdings Co., Ltd. between July 2003 and April 2005, an executive director, president, vice president, chief operation officer and chief executive officer of Glorious Property Holdings Limited, a company listed on the Stock Exchange (stock code: 845) between October 2009 and February 2014, and the executive president and the regional president (China) of Baoneng Group between March 2014 and December 2014. Mr. Liu has extensive experience of investment and administration in land property and hotel industry, and he is good at corporate comprehensive management and investment and financing business.

DONG XINCHENG (董心誠)

Independent Non-Executive Director

Mr. Dong Xincheng, aged 52, is our independent non-executive Director. Mr. Dong was re-designated as an independent non-executive director of the Company on 19 December 2018.

Mr. Dong has approximately 16 years of experience in legal practice. From 1990 to 1995, he was an officer in Road Administration Division of Henan Province Bureau of Transport* (河南省交通廳公路管理局). From 1996 to 2001, he was a deputy general manager at Shijiazhuang Xinlin Real Estate Development Co., Ltd. (石家莊鑫麟房地產開發有限公司), where he was responsible for its business management. From 2002 to 2004, he practised law at Henan Guanglei Law Firm (河南光磊律師事務所). From 2004 onwards, he has been practising law at Henan Zhengfangyuan Law Firm (河南正方圓律師事務所).

Mr. Dong graduated from Zhengzhou University (鄭州大学) in Zhengzhou City, Henan Province, the PRC, with a Bachelor's degree in engineering in June 1990. He obtained the Legal Professional Qualification Certificate in September 2002.

LAM YING HUNG ANDY (林英鴻)

Independent Non-Executive Director

Mr. Lam Ying Hung Andy, aged 54, has been appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nominating Committee with effect from 19 December 2018.

Mr. Lam has been a managing consultant at Lontreprise Consulting Ltd since June 2005. He obtained a master degree of Professional Accounting from Hong Kong Polytechnic University in 1999, and obtained a master degree in e-commerce from Hong Kong Polytechnic University in 2004. Mr. Lam was admitted as a fellow of The Association of Chartered Certified Accountant in the United Kingdom in 2003, certificated membership of The Hong Kong Institute of Certified Public Accountants in Hong Kong in 2002, an associate of The Hong Kong Institute of Company Secretaries in Hong Kong in 1997, an associate of The Institute of Chartered Secretaries and Administrations in the United Kingdom in 1997, an associate of The Hong Kong Institute of Bankers in 1995 and associate of The Chartered Institute of Bankers in 1989.

Mr. Lam has been an independent non-executive director of Synertone Communication Corporation, a company listed on the Stock Exchange (stock code: 1613) since February 2011, an independent non-executive director of Brilliant Circle Holdings International Limited, a company listed on the Stock Exchange (stock code: 1008) since March 2009, and an independent non-executive director of Xingfa Aluminium Holdings Limited, a company listed on the Stock Exchange (stock code: 98) since February 2008. Mr. Lam has over 26 years of experience in logistics, accounting, banking and finance industry.

Before joining Lontreprise Consulting Ltd, he was a financial director at Introwell Transportation Ltd. between November 2002 and June 2005, a business development manager at Standard Chartered Bank between May 2001 and November 2002, a deputy manager at Bank of China between October 2000 and April 2001, a deputy manager of Chiyu Banking Corporation Ltd. between October 1997 and October 2000, an office manager at Ipanema (East) Limited between September 1995 and October 1997, an administration accountant at Viking Transportation Company between July 1989 and July 1995, and a senior officer at Po Sang Bank Ltd between July 1984 and July 1989.

SENIOR MANAGEMENT

TAY MENG HENG（鄭銘興）
Chief Financial Officer

Mr. Tay Meng Heng, aged 51, joined our Group as chief financial officer in October 2012. As our Group's chief financial officer, he is responsible for the overall accounting and finance operation of our Group. He is also the acting chief executive officer of Eindec Corporation Limited, a company listed on the Catalist of the SGX-ST and a subsidiary of the Group with effective from January 2018. He is responsible for the overall operation of the company. Prior to joining our Group, Mr. Tay was the general manager, corporate finance of Falcon Capital Partners Pte. Ltd. a related company of RGE Group from November 2010 to September 2012 and was in-charge of ship financing for woodchip bulk carriers. He worked in Advanced Systems Automation Limited, a semiconductor automolding equipment supplier listed on the Catalist of the SGX-ST, from October 1994 to October 2010, where he was promoted from the position of management accountant to vice president of finance, and was overall in-charge of accounting and finance of the company. He worked as an audit assistant and audit senior in Ernst & Young in Singapore from July 1992 to September 1994. Mr. Tay has 27 years of professional experience in private and public listed companies from diverse industries, especially in accounting and financing, company initial public offering, corporate finance and corporate debt restructuring.

Mr. Tay obtained a Bachelor of Accountancy degree (Honours) from the Nanyang Technological University, Singapore in May 1992. He is also a member of the Institute of Singapore Chartered Accountants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Zhang Wei（張偉）
(Executive Chairman and Chief Executive Officer)

Chen Zhiyong（陳志勇）
(Executive Director and Chief Operating Officer)

Liu Ning（劉寧）
(Lead Independent Non-Executive Director)

Dong Xincheng（董心誠）
(Independent Non-Executive Director)

Lam Ying Hung Andy（林英鴻）
(Independent Non-Executive Director)

AUDIT COMMITTEE

Lam Ying Hung Andy（林英鴻）（Chairman）
Dong Xincheng（董心誠）
Liu Ning（劉寧）

NOMINATING COMMITTEE

Dong Xincheng（董心誠）（Chairman）
Lam Ying Hung Andy（林英鴻）
Liu Ning（劉寧）

REMUNERATION COMMITTEE

Liu Ning（劉寧）（Chairman）
Dong Xincheng（董心誠）
Lam Ying Hung Andy（林英鴻）

COMPANY SECRETARIES

Shirley Tan Sey Liy (ACIS)
Man Yun Wah (HKICS)

REGISTERED OFFICE

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AUDITORS

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16 Raffles Quay #22-00, Hong Leong Building
Singapore 048581
Partner-in-charge: Loo Kwok Chiang Adrian
(Public Accountants and Chartered Accountants Singapore)
(Appointed since financial year ended 31 December 2016)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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80 Garden Road, Zhengzhou City
Henan Province
The PRC 450003

China Construction Bank (Hainan Branch)
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Haikou City, Hainan Province
The PRC 570125

Shanghai Pudong Development Bank (Shenzhen Branch)
1st Floor, Futian CBD, Fuhua
3rd Road, Futian Qu, Shenzhen City
Guangdong Province
The PRC 518048

United Overseas Bank Ltd
80 Raffles Place
UOB Plaza
Singapore 048624

CORPORATE GOVERNANCE REPORT

WEIYE HOLDINGS LIMITED (“**Company**”) and its subsidiaries (collectively, “**Group**”) are committed to maintaining high standards of Corporate Governance to advance its mission to create value for the Group’s customers and shareholders.

This Corporate Governance Report states the manner in which the Group has applied the principles and the extent of compliance with the guidelines as set out in the code provisions of the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**SEHK**”) to provide the structure through which the objectives of protection of shareholders’ interest and enhancement of long term shareholders’ value are met. Throughout the financial year ended 31 December 2018 (“**FY2018**”), the Group has complied with the CG Code, except those appropriately justified and disclosed.

BOARD MATTERS

Board’s Conduct of its Affairs

The Board (“**Board**”) of Directors (“**Directors**”) of the Company oversees the Group’s overall policies, setting Company’s values and standards, strategies and objectives, reviewing management performance, identifying key stakeholder groups, key operational initiatives, performance and measurement, internal controls and risk management, major funding and investment proposals, financial performance reviews, corporate governance practices and sustainability issues. Approval of the Board is required for matters such as corporate restructuring, mergers and acquisition, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, share issuance, dividend and other returns to shareholders, acceptances of bank facilities, annual budget, release of the Group’s quarterly and full year’s results and interested person transactions of a material nature.

All Directors exercise due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

To assist the Board in the execution of its responsibilities, the Board delegate its decision-making authority to three supporting committees, namely the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”) (collectively, “**Board Committees**”). These Board Committees operate within clearly defined Terms of Reference and they play an important role in ensuring good corporate governance in the Company and within the Group. These Terms of Reference will be reviewed on a regular basis to ensure their continued relevance.

The Board conducts regular scheduled Board meetings at least four times a year to approve the interim and annual results announcement and to review the operations and performance of the Group. The schedule of all the regular Board and Board Committees meetings for the calendar year is usually given to all the Directors well in advance in accordance with the Terms of Reference and the Listing Rules. Board meetings may also be convened as and when they are deemed necessary in between the scheduled meetings to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions.

Notice of regular Board meetings is served to all the Directors at least 14 days before the meeting. For other Board and Board Committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all the Directors at least 3 days before each Board or Board Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

The Constitution of the Company provides for the Board to convene meetings by ways of tele-conferencing, video conferencing, audio or other similar communications equipment. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means and the circulation of written resolutions for approval by the relevant members of the Board or Board Committees.

CORPORATE GOVERNANCE REPORT

The Directors in office for the year ended 31 December 2018 and up to the date of this report are as follows:

Executive Directors

Zhang Wei (Chairman and Chief Executive Officer)
Chen Zhiyong

Non-Executive Director

Dong Xincheng (re-designated as an Independent Non-Executive Director on 19 December 2018)

Independent Non-Executive Directors

Ong Kian Guan (resigned as the Lead Independent Non-Executive Director on 19 December 2018)
Oh Eng Bin (resigned as an Independent Non-Executive Director on 19 December 2018)
Siu Man Ho Simon (resigned as an Independent Non-Executive Director on 19 December 2018)
Liu Ning (appointed as the Lead Independent Non-Executive Director on 19 December 2018)
Dong Xincheng (re-designated as an Independent Non-Executive Director on 19 December 2018)
Lam Yin Hung Andy (appointed as an Independent Non-Executive Director on 19 December 2018)

The attendances of the Directors at the general meetings, Board meetings and Board Committees meetings held during the FY2018 are as follows:

	Attendance / Number of meetings				
	General meetings	Board meetings	Audit Committee meetings	Nominating Committee meeting	Remuneration Committee meeting
Mr. Zhang Wei	2/2	4/4	3/3*	1/1*	1/1*
Mr. Chen Zhiyong	2/2	4/4	3/3*	1/1*	1/1*
Mr. Dong Xincheng	2/2	4/4	3/3*	1/1	1/1*
Mr. Ong Kian Guan[(1)]	2/2	4/4	3/3	1/1	1/1
Mr. Oh Eng Bin[(2)]	2/2	4/4	3/3	1/1	1/1
Mr. Siu Man Ho Simon[(3)]	2/2	4/4	3/3	1/1	1/1
Mr. Lam Ying Hung Andy[(4)]	0/0	0/0	0/0	0/0	0/0
Mr. Liu Ning[(5)]	0/0	0/0	0/0	0/0	0/0

* By invitation

Notes:

1. Mr. Ong Kian Guan resigned as the Lead Independent Non-Executive Director on 19 December 2018
2. Mr. Oh Eng Bin resigned as an Independent Non-Executive Director on 19 December 2018
3. Mr. Siu Man Ho Simon resigned as an Independent Non-Executive Director on 19 December 2018
4. Mr. Lam Ying Hung Andy appointed as an Independent Non-Executive Director on 19 December 2018
5. Mr. Liu Ning appointed as the Lead Independent Non-Executive Director on 19 December 2018

The Board has adopted internal guideline setting forth matters that require Board's approval. The Board has identified the following areas for which the Board has direct responsibility for decision making within the Group: -

- Approval of the Group's major investments/divestments and funding decisions;

- Approval of the Group's quarterly financial updates, interim and annual financial result announcements for release to the SEHK;

CORPORATE GOVERNANCE REPORT

- Approval of any agreement which is not in the ordinary course of business;
- Approval of any major borrowings or corporate guarantees in relation to borrowings;
- Entering into any profit-sharing arrangement;
- Entering into any foreign exchange hedging transactions;
- Appointment or removal of any key executive and legal representative;
- Incorporation or dissolution of any subsidiary;
- Issuance of shares or declaration of dividends;
- Approval of the annual report and audited financial statements;
- Convening of general meetings;
- Approval of corporate strategies;
- Approval of material acquisition and disposal of assets; and
- Approval of announcements or press releases concerning the Group for release to the SEHK.

The Directors are also updated regularly with the changes to the Listing Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SEHK which are relevant to the Directors are circulated to the Board. The Company Secretaries informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the External Auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, Directors' duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Listing Rules that affect the Company and/or the Directors in discharging their duties.

The shares of the Company have been delisted from the Official List of Singapore Exchange Securities Trading Limited with effect from 24 August 2018 and remain listed on the Main Board of the SEHK. In order to comply with Rule A6.5 of Appendix 14 to the Listing Rules, the Company has provided information related to the changes in the Listing Rules to the Directors to update and refresh the Directors' knowledge on the latest developments to the Listing Rules. The Company will continuously update the Directors on the latest developments to the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance the Directors' awareness of good corporate governance practices. The Company may from time to time arrange the training for the Directors at the Company's costs.

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Newly appointed Directors receive appropriate training such as accounting, legal and industry specific knowledge, if required. The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings. A letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

Board Composition and Guidance

There is presently a strong and independent element on the Board. Three Independent Non-Executive Directors make up over half of the Board and the independence of each Independent Non-Executive Director has been reviewed by the NC. The NC is of the view that all the Independent Non-Executive Directors are independent to the Company.

The criteria for independence are determined based on the definition as provided in the Listing Rules and the independence of each Independent Non-Executive Director is reviewed annually by the NC. The Board considers an Independent Non-Executive Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs.

There is no Independent Non-Executive Director who has served on the Board beyond nine years from the date of his first appointment.

The Board constantly examines its Board size with a view to determining the optimum size for effective decision-making. The Board taking into account the scope and nature of the operations of the Company, the requirement of the business and the need to avoid undue disruptions from the change in commotion of the Board and Board Committees. The Board is of the view that its current Board size is appropriate, which facilitates effective decision-making.

The Board and Board Committees provide an appropriate balance and diversity of skills. The Directors bring with them a wealth of expertise and experience in areas such as accounting, finance, legal, business or management experience and industry knowledge as well as knowledge of the Company and Group. Its composition enables the Management to benefit from a diverse and objective perspective on any issues raised before the Board.

Independent Non-Executive Directors exercise no management functions in the Group. The role of the Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and rigorously examined and reviewing the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Company co-ordinates informal meeting sessions for the Independent Non-Executive Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Chairman and Chief Executive Officer

The Executive Chairman and CEO, Mr. Zhang Wei undertakes the overall business operations and management of the Group and report to the Board of the Group. This deviates from code provision A.2.1 of the CG Code which requires that the roles of Chairman and CEO should be separate and should not be performed by the same individual. However, the Board considers Mr. Zhang Wei is familiar with the culture and operations of the Company and has extensive experience in the real estate industry. The Directors consider the vesting 2 roles in the same individual will not impair the balance of power and authority between the Directors and the management of the Group. Mr. Zhang Wei will act as the CEO temporarily until the Company finds a good replacement. In addition, he is responsible for setting business strategies and managing the Group, which involves high-level decisions about policy and strategy, motivating employees, and driving change within the organization.

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The responsibilities of the Executive Chairman and CEO include:

(1) Leading the Board to ensure its effectiveness on all aspects of its role;

(2) Setting its agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(3) Ensuring that all Board meetings are convened and held as and when required;

(4) Ensuring that Directors receive accurate, timely and clear information;

(5) Ensuring effective communication with shareholders;

(6) Promoting a culture of openness and debate at the Board level;

(7) Encouraging constructive relations within the Board and between the Board and Management;

(8) Facilitating the effective contribution of the Independent Non-Executive Directors;

(9) Ensuring that proper procedures are set to comply with the Code and promoting high standards of corporate governance; and

(10) Acting in the best interest of the Group and of the shareholders.

All major decisions are made in consultation with the Board, where over half of the Board comprises Independent Non-Executive Directors. The Board is of the opinion that the process of decision making by the Board has been independent and based on collective decisions without any individual or small group of individuals dominating the Board's decision making.

The performance and appointment of the Executive Chairman and CEO to the Board are reviewed periodically by the NC and the remuneration package is reviewed periodically by the RC.

The composition of AC, NC and RC comprises Independent Non-Executive Directors only. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Nominating Committee

The NC, regulated by a set of written Terms of Reference, comprises three Independent Non-Executive Directors, including the Chairman who is not directly associated with any substantial shareholder of the Company.

Mr. Dong Xincheng (Chairman)
Mr. Lam Ying Hung Andy
Mr. Liu Ning

The principal functions of the NC are to:

- Review of board succession plans for directors, in particular the Chairman and CEO;

- Development of a process for evaluating the performance of the Board, its committees and directors;

- Reviewing training and professional development programs for the Board;

CORPORATE GOVERNANCE REPORT

- Review the background, academic and professional qualification and make recommendation to the Board on all the candidates nominated for appointment to the Board and Board Committees of the Company and of its subsidiaries;

- Review annually on the independence of the Independent Non-Executive Directors;

- Identify and recommend Directors who are retiring by rotation to be put forward for re-election;

- Review the ability of a Director to adequately carry out his duties as Director when the Director's has multiple Board representations; and

- Assess the effectiveness of the Board as a whole.

The NC makes recommendations to the Board on all Board appointments and is responsible for the re-nomination of Directors at regular intervals, through nomination process which take into consideration the Directors' contribution and performance at Board meetings, including attendance and participation.

The NC is responsible to review the Board Diversity Policy, as appropriate; and review the measurable objectives that the board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results in the Corporate Governance Report annually.

Where a Director has multiple Board representations, the NC will evaluate whether the Director is able to and has adequately carried out his or her duties as Director of the Company by taking into consideration the contribution and the respective Directors' attendance at the Board meeting. The Board is satisfied that Directors who have multiple board representations have devoted sufficient time and attention to the affairs of the Group. Their multiple board representations do not hinder their abilities to carry out their duties as Directors of the Company. Accordingly, the Board, with the concurrence of the NC, has agreed that the Company shall not impose a maximum number of listed board representations on the Directors as the Board is of the opinion that setting a fixed number would not adequately take into account the varied circumstances of each Director and the NC will instead focus on whether a Director has sufficient time to adequately discharge his or her duties to the Company. The NC would monitor and determine annually, on a case-by-case basis, whether Directors have given sufficient time and attention to the affairs of the Company and adequately carry out his or her duties as a Director of the Company.

The Board, based on the recommendations of the NC will conduct search and selection process to ensure that Directors appointed possess the background, experience and knowledge critical to the Group's business and each Director, through his or her unique contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decision to be made.

Each Executive Director has entered into a service contract with the Company for a term of 3 years, while each Independent Non-Executive Director has entered into a service contract with the Company for a term of 3 years.

In accordance with the Company's Constitution, each Director is required to retire at least once in every three years by rotation and all newly appointed Directors will have to retire at the next Annual General Meeting ("**AGM**") following their appointments. The retiring Directors are eligible to offer themselves for re-election. Pursuant to Regulation 117 of the Company's Constitution, Directors of the Company who were newly appointed by the Board since the last AGM will have to retire at the forthcoming AGM.

Each member of the NC shall abstain from voting on any resolutions in respect of his or her re-nomination as a Director.

CORPORATE GOVERNANCE REPORT

The NC recommended that Mr. Dong Xincheng, Mr. Lam Ying Hung Andy and Mr. Liu Ning (collectively, "**Retiring Directors**"), be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation and the Retiring Directors will be offering themselves for re-election.

For the financial year under review, the NC is of the view that the Independent Non-Executive Directors of the Company are independent (as defined in Listing Rules) and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

Although some of the Directors have other Board representation, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company and given sufficient time and attention to the Company's affairs.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out on pages 20 to 22 of this annual report.

Access to Information

The Board is provided with adequate and timely information on Board affairs and issues that require the Board's decision. All Directors have separate and independent access to the Group's Senior Management and the Company Secretaries at all times. Requests for information from Board are dealt with promptly by the Management. The Board is informed of all material events and transactions as and when they occur. The Management provides the Board with quarterly reports of the Group's performance. The Management also consults with Board members regularly whenever necessary and appropriate.

All the Directors are provided with complete and adequate information including board papers and related materials in relation to financial such as budgets, forecasts and financial statements, business and background or explanatory information relating to corporate matters of the Group prior to Board meetings and on an ongoing basis so as to enable the Directors to oversee the Group's operational and financial performance. The Directors are also informed of any material variance between projections and actual results or significant developments or events relating to the Group.

The Company Secretaries or their representative administers attend and prepare minutes of all Board and Board Committees meetings and assist the Chairman of the Board and/or the AC, RC and NC in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and Board Committees function effectively. The Company Secretaries or their representatives' roles are to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as Board policies and procedures are complied with.

Each member of the Board or the Board as a whole may seek independent professional advice at the Company's expenses, subject to the approval of the Chairman, in furtherance of their duties and such costs will be borne by the Company. The appointment and removal of the Company Secretaries are subject to the consideration and approval of the Board as a whole.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The RC, regulated by a set of written Terms of Reference, comprises three Independent Non-Executive Directors, majority of whom, including the Chairman is independent.

The RC comprises three Independent Non-Executive Directors as follows:

Mr. Liu Ning (Chairman)
Mr. Dong Xincheng
Mr. Lam Ying Hung Andy

The key functions of the RC include:

- Reviewing and recommending to the Board an appropriate and competitive framework for remuneration for the Directors and key management executives of the Group;

- Reviewing the on-going appropriateness and relevance of the executive remuneration policy and other benefit programmes;

- Reviewing and approving the remuneration framework of the Directors and key management executives; and

- Reviewing and submitting its recommendations for endorsement by the Board, any option plans, stock plans and/or other equity based plans which may be set up from time to time.

The RC recommends to the Board a framework for the remuneration for the Directors and key management executives and determines specific remuneration packages for each Executive Director and key management executive. The RC's recommendations are made in consultation with the Chairman and are submitted for endorsement by the entire Board.

Each Director shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation in respect of his or her own remuneration. The payment of Directors' fees is subject to the approval of shareholders of the Company.

The RC has access to seek independent professional advice externally or within the Company with regards to remuneration matters where deem necessary and such cost shall be borne by the Company.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry as well the Group's relative performance and the performance of each of the Directors.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors and the key management personnel are structured link to corporate and individual performance as well as commensurate with their respective job scope and the level of responsibilities after taking into account the risk polices of the Company. It comprises primarily a basic salary component and a variable component which is the bonuses and other benefits.

The Company does not have any employee share option scheme or any long-term incentive scheme in place.

CORPORATE GOVERNANCE REPORT

The Independent Non-Executive Directors are paid Directors' fees taking into account factors such as the effort and time spent and the scope of responsibilities of the Independent Non-Executive Directors. The Chairman of each Board Committees is compensated for his or her additional responsibilities. The Directors' fees are recommended by the Board for approval at the Company's AGM. The Board ensures that the Independent Non-Executive Directors are not over-compensated to the extent that their independence may be compromised.

The Company currently does not have any scheme(s) to encourage Independent Non-Executive Directors to hold shares of the Company so as to better align the interests of such Independent Non-Executive Directors with the interests of shareholders. However, the Company will consider and review the feasibility for having such scheme, as and when is appropriate.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Each of the Directors shall have the duties of care and skill and fiduciary duties to the Company. The Company should be able to avail itself to remedies against the Directors in the event of such breach of fiduciary duties.

Immediate Family Members of Directors or CEO

Save as disclosed below, none of the Directors or Executive Officers are related by blood or marriage to one another nor are they related to any of the Substantial Shareholders of the Company.

The immediate family members of Directors are as follows:

(a) Mr. Chen Zhiyong is the brother-in-law of Mr. Zhang Wei; and

(b) Mr. Ma Wei, the vice president of Investment Operations Division, is the cousin of Mr. Zhang Wei.

ACCOUNTABILITY AND AUDIT

The Board understands its accountability to the shareholders on the Group's position, performance and progress. The objectives of the presentation of the annual financial statements and announcements of financial results are to provide shareholders with a balanced and understandable assessment of the Company and Group's performance, position and prospects. The Board acknowledge their responsibilities for preparing the Group's accounts which gives a true and fair view of the financial position of the Group. The statement by the external auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 48 to 52 of this annual report.

The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis and when deemed appropriate by particular circumstances.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of management accounts on financial information and position of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board from time to time.

The Directors are aware of the requirements under the applicable regulations and the Listing Rules for the handling and dissemination of inside information. All the inside information identified by the Directors shall be published and disclosed to the public timely through the Company's publications and communications, unless the information falls within safe harbours as prescribed in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

The Group maintains a system of internal controls for all companies within the Group, but recognises that no cost-effective internal controls system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss after taking the Company's risk tolerance and risk polices into consideration. Annually the Board review the adequacy of the risk management and internal control system in place which address the financial, operational, compliance and information technology risks and the objectives of these controls are to provide reasonable, but not absolute, assurance that there are no material financial misstatements or material loss, there are maintenance of proper accounting records, financial information, shareholders' investments and the Group's assets are safeguarded.

As the Company does not have a risk management committee, the Board and Management assume the responsibility of overseeing the Company's risk management framework and function. The Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. The Management reviews significant policies and procedures and highlights significant matters to the Board and the AC.

Relying on the reports from the internal auditors, the AC reviews the effectiveness of the Group's internal controls systems. Any material non-compliance or weaknesses in internal controls or recommendations from the internal auditors to further improve the internal controls were reported to the AC directly. The AC will also follow up on the actions taken by the Management and on the recommendations made by the internal auditors against the material non-compliance or weaknesses in relation to internal controls.

The external auditors and internal auditors have not reported to AC any material internal controls weakness identified in the course of audit of the Company's financial statements for FY2018.

The Board has received and considered the representation letters from the Executive Chairman and CEO and Chief Financial Officer in relation to the financial information for FY2018. The Executive Chairman and Chief Financial Officer have assured the Board that:

(a) The financial records of the Group have been properly maintained and the financial statements for FY2018 give a true and fair view in all material respects, including but not limited to the Group's operations and finances; and

(b) The Group's internal controls and risk management systems are operating effectively in all material respects given its current business environment.

Based on the discussions with the Management and the reports from the internal auditors and external auditors, periodic reviews by the Management and to the best knowledge and belief of the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems are effective and adequate in addressing material financial, operational, compliance and information technology risks of the Group during the year in meeting the current needs of the Group's business operations and provide reasonable, but not absolute, assurance against material financial misstatements or material loss and to safeguarding the Group's assets.

CORPORATE GOVERNANCE REPORT

Audit Committee

The AC, regulated by a set of written Terms of Reference, comprises three Independent Non-Executive Directors as follows:

Mr. Lam Ying Hung Andy (Chairman)
Mr. Dong Xincheng
Mr. Liu Ning

The AC performs the following functions:

1. review with the external auditors the audit plan, scope of work, their evaluation of the system of internal accounting controls, their management letter and the management's response, and results of the audits conducted by the Group's internal and external auditors;

2. review the annual and quarterly, financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Listing Rules and any other statutory or regulatory requirements;

3. review the risk profile of the Group, effectiveness and adequacies of its internal controls and risk management procedures, including financial, operational, compliance and information technology controls and procedures and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board;

4. ensure co-ordination between the external and internal auditors and the management, and review the assistance given by the management to the external and internal auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the external and internal auditors may wish to discuss (in the absence of the management where necessary);

5. review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

6. consider the appointment, remuneration, terms of engagement or re-appointment of the external and internal auditors and matters relating to the resignation or dismissal of the auditors;

7. review the appointments of persons (upon appointment and upon renewal of their respective service contracts), occupying managerial positions who are related to the Directors, CEO or the Controlling Shareholders of the Group, including their remuneration;

8. evaluate the independence of the external auditors;

9. review the adequacy of the internal audit function and ensure that a clear reporting structure is in place between the Audit Committee and the internal auditors;

10. review any potential conflicts of interests;

11. review the adequacy of potential business risk management processes;

12. review and approve all hedging policies and instruments (if any) to be implemented by the Group;

13. undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

CORPORATE GOVERNANCE REPORT

14. review and sight all resignation letters of the legal representatives of the Group's People's Republic of China ("**PRC**") Subsidiaries, which have been signed in advance, and such letters shall be held in custody by the Company's Company Secretaries;

15. review and establish procedures for receipt, retention and treatment of complaints received by the Group, inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and

16. generally undertake such other functions and duties as may be required by statute or the Listing Rules, and by such amendments made thereto from time to time.

In line with the Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the financial statements. For the financial year under review, the Executive Directors and the Chief Financial Officer have provided assurance to the Board on the integrity of the Group's financial statements.

In addition, the Group has adopted the following procedures in respect of any change of legal representative(s) of the Group's PRC Subsidiaries: -

(a) Each of the Group's PRC Subsidiaries' Constitution has been amended to allow the shareholders of each of the Group's PRC Subsidiaries to have the power to remove the respective legal representative(s), and the legal representative(s) shall not be able to object to such removal;

(b) A resignation letter signed in advance by the current legal representative(s) of each of the Group's PRC Subsidiaries. All subsequent appointments of the legal representative will also have resignation letters signed in advance. The Company's Company Secretaries shall have custody of these resignation letters; and

(c) It is part of the AC's responsibilities to sight and review at least quarterly all resignation letters of the legal representatives of the Group's PRC Subsidiaries which have been signed in advance.

The AC has full access to and co-operation of the Management, and has full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its functions. The AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rules or regulations (and of any other jurisdictions that imposed upon the Group as and when applicable) which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from reviewing any particular transaction or voting on such resolution in respect of which he or she is or may be interested in.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approval of the remuneration of the external auditors. The AC has recommended to the Board that Messrs KPMG LLP ("**KPMG**") be nominated for re-appointment as external auditors of the Group at the forthcoming AGM of the Company. The Company confirmed that Rule 13.88 of the Listing Rules had been complied with.

The AC meets with the external auditors and internal auditors without the presence of the Executive Directors and the Management, as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors. The AC, having reviewed the non-audit services provided by the external auditors, is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the external auditors. For FY2018, the total amount of audit fees paid to KPMG, the auditors of the Company, was approximately RMB4.1 million of which RMB3.9 million was audit fees and RMB0.2 million was non-audit fees.

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The Company has developed a whistle blowing policy. This policy provides well-defined and accessible channels in the Group through which employees are able to raise concerns about improper conduct within the Group free of stress and restrictions by post or email to the AC Chairman or the Company Secretaries. As of to-date, there were no reports received through the whistle-blowing mechanism.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors to keep abreast of changes to accounting standards and issues which have direct impact on financial statements. No former partner or director of the Company's existing auditing firm or auditing corporation, within a period of 2 years from the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation, has acted as a member of the AC.

Internal audit

The Board recognises the importance of the internal audit function which being independent of Management is one of the principal means by which the AC is able to carry out its responsibilities effectively. The Company outsources its internal audit functions to Messrs Nexia TS Risk Advisory Pte Ltd ("Internal Auditor"). The Internal Auditor has unfettered access to all Company's documents, record properties and personnel including access to the AC.

The Internal Auditor has conducted parts of its audit plan and put forward its findings and recommendations to the AC for review. The Internal Auditor has a direct and primary reporting line to the AC and assists the AC in overseeing and monitoring the implementation of improvements required on internal control weakness identified. The AC has reviewed the annual internal audit plan for FY2018 and is satisfied that the internal audit functions have been adequately resourced and having appropriate standing within the Company.

The AC is satisfied that the internal audit function is staffed by appropriate qualified and experienced professionals with the relevant experience.

The AC approves the appointment, removal, evaluation and compensation of the Internal Auditors. The Internal Auditor is a member of the Institute of Internal Auditors Singapore ("**IIA**"), an internal professional association for internal auditors which has its headquarters in the United States. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

The AC would annually review the adequacy and effectiveness of the internal audit functions of the Company.

COMMUNICATIONS WITH THE SHAREHOLDERS

SHAREHOLDER RIGHTS

The Company does not practice selective disclosure. In line with the continuous obligations of the Company under the Listing Rules and the Companies Act, Chapter 50 of the Laws of Singapore, the Board's policy is to facilitate the exercise of ownership rights by all shareholders to ensure that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group.

All shareholders are entitled to attend and are provided the opportunity to participate in the general meetings of the Company. At the general meetings, shareholders are given opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations. The company also informed of the rules, including voting procedures, which govern general meetings of shareholders. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance as prescribed by the Company and in accordance with the requirements of the Listing Rules from time to time. The Company's Constitution does not include the nominee or custodial services to appoint more than two proxies.

CORPORATE GOVERNANCE REPORT

The Directors may, whenever they think fit, convene an Extraordinary General Meeting ("**EGM**") and EGM shall also be convened on such requisition or, in default, may be convened by such requisitionists, including Members holding a minority stake in the Company which have shareholdings not higher than 10.0%. The requisitionists shall deposit a written notice with detailed contact information and items to be considered at such EGM to the Company's Singapore registered office.

The Company is committed to disclose to its shareholders the information in a timely, fair and transparent manner via SGXNet (before delisted from Singapore Exchange Securities Trading Limited on 24 August 2018) and the HKExnews. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through: -

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Listing Rules and International Financial Reporting Standards and/or any other requirements that the Company and the Group are required to comply with from time to time;

- interim and annual financial results announcements containing a summary of the financial information and affairs of the Group for that period; and

- notices of explanatory memoranda for AGMs and EGMs. The notice of AGMs and EGMs are also published on the websites of the Company and the SEHK, and circulated to the shareholders who are entitled to attend and vote at the AGMs and EGMs.

The Company's website is at http://www.weiyeholdings.com where our shareholders can access financial information, corporate announcements, press releases, annual reports and profile of the Group. Contact details and channels of communications with shareholders and public remain open and relevant information is duly updated and conveyed via the Company's websites and email channels.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through the HKEXnews, either before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report enclosing notice of AGM by post within the mandatory period, which is held within six months after the close of the financial year.

The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

For enquiries about the Company's information, Shareholders may contact Ms. Shirley Tan Sey Liy or Mr. Man Yun Wah, the Company Secretaries, whose contacts are as follows:

Ms. Shirley Tan Sey Liy
Email address: shirley.tan@rhtgoc.com

Mr. Man Yun Wah
Email address: guy.man@rhtgoc.com

or send enquiries in writing to the Company's registered office in Singapore at 100H Pasir Panjang Road #01-01 OC@Pasir Panjang, Singapore 118524; the principal place of business in the PRC at Room 3301, 33th Floor, Building 5 of Dachong International Center, 39 Tonggu Road, Yuehai Street, Nanshan District, Shenzhen City, Guangdong Province, The PRC; or the principal place of business in Hong Kong at Unit 912, 9/F., Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

The Constitution of the Company has been published on the websites of the HKEXnews and the Company respectively.

CORPORATE GOVERNANCE REPORT

CONDUCT OF SHAREHOLDER MEETING

The Shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. The Company's Constitution made appropriate provisions in to allow for absentia voting at general meetings of shareholders. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least i) 21 clear business days' notice for any AGM and any EGM at which it is proposed to pass a special resolution or a resolution of which special notice has been given to the Company; and ii) 14 clear business days' notice for all other EGMs.

The Board establish and maintain regular dialogue with shareholders to gather views or inputs and welcomes questions from shareholders who wish to raise issues or concerns, either informally or formally before or during the general meetings. Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

All Directors of the Company include the Chairman of the Board are normally present at the general meeting of shareholders. The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Committees at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries raised by the shareholders.

The Company will make available minutes of general meetings to shareholders that include substantial and relevant comments or queries from shareholders relating to the agenda of the general meetings, and responses from the Board and Management, upon their request.

The Company adheres to the requirements of the Listing Rules, all resolutions at the Company's general meetings hel are put to vote by poll. For cost effectiveness, the voting for resolutions at the general meetings is conducted by manual polling. The detailed results showing the number of votes cast for and against each resolution are announced via the HKEXnews after the general meetings.

DEALINGS IN COMPANY'S SECURITIES

In compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules, the Company has adopted its own internal compliance code pursuant to the Model Code's best practices on dealings in securities and these are applicable to all its Officers in relation to their dealings in the Company's securities. In furtherance, specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout FY2018.

The Company and its Officers are not allowed to deal in the Company's shares during the period commencing 30 days immediately before the announcement of the Company's interim results and 60 days immediately before the announcement of the Company's annual results, and ending on the date of the announcement of the relevant results.

The Directors, Management and executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information of the Company and they are not to deal in the Company's securities on short-term considerations.

CORPORATE GOVERNANCE REPORT

CONNECTED TRANSACTION

The Group has established procedures to ensure that all transactions with connected person (as defined under the Lisitng Rules) are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

The Board and the AC will review all connected transactions to be entered into to ensure that the relevant rules under Chapter 14A of the Hong Kong Listing Rules is complied with.

During FY2018, there were no connected transactions within the meaning under the Listing Rules.

MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interest of the Executive Chairman, or any Director or controlling shareholder (as defined under the Listing Rules) subsisting at the end of the financial year.

CORPORATE GOVERNANCE FUNCTIONS

The Board is performing the corporate governance duties as set out in code provision D.3.1 of the CG Code, which, among other things, are as follows:

i. To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

ii. To review and monitor the training and continuous professional development of Directors and senior management of the Company;

iii. To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

iv. To develop, review and monitor the code of conduct and compliance; and

v. To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

COMPANY SECRETARIES

Ms. Shirley Tan Sey Liy and Mr. Man Yun Wah have been nominated by RHT Corporate Advisory Pte. Ltd. and RHT Corporate Advisory (HK) Limited, respectively, to act as the Company Secretaries.

Mr. Man Yun Wah is one of the Company Secretaries and has complied with the requirements of the Listing Rules respectively. They have been contacting with the Board and the Chief Financial Officer of the Company directly in respect of company secretarial matters.

DIRECTORS' STATEMENT

Year ended 31 December 2018

The directors of the Company ("**Directors**") are pleased to present the annual report together with the audited financial statements of the Group for the year ended 31 December 2018.

The Board of Directors is of the opinion that:

(a) the financial statements set out on pages 53 to 173 are drawn up so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50, Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Principal Activities

The principal activities of the Company are investment holding. There were no significant changes in the nature of the Group's principal activities during the year.

Operations Review

Details of the operations review and the financial review of the Group are set out in the annual report under section headed "Operations Review" on pages 6 to 14 of this annual report and the section headed "Financial Review" pages 16 to 19 of this annual report, respectively.

Results and Dividends

The Group's profit for the year ended 31 December 2018 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 53 to 55.

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2018.

Investment Properties

Investment properties decreased by approximately RMB6.1 million (2017: decreased by RMB9.8 million) for the year ended 31 December 2018 mainly due to disposal of an investment property.

Details of movements in the investment properties of the Group during the year are set out in Note 6 to the financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 4 to the financial statements.

Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 December 2018 are set out in Note 23 to the financial statements.

DIRECTORS' STATEMENT

Year ended 31 December 2018

Share Capital

Details of the Company's issued share capital during the year are set out in Note 21 to the financial statements. There were no movements in the Company's issued share capital during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Constitution of the Company or laws of Singapore where the Company is incorporated.

Tax Relief

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holdings of the Company's shares.

Purchase, Redemption or Sale of Listed Securities of the Company

There was no purchase, redemption or sale of listed securities of the Company in the year ended 31 December 2018.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity.

Distributable Reserves

At 31 December 2018, the Company has no reserve available for distribution as it is in an accumulated loss position.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases to the major customers and suppliers, respectively, during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
	%	%
The largest customer	1.18%	–
Five largest customers in aggregate	2.68%	–
The largest supplier	–	11.73%
Five largest suppliers in aggregate	–	26.98%

To the best of the knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5% of the issued shares of the Company, had any interest in these major customers and suppliers.

DIRECTORS' STATEMENT

Year ended 31 December 2018

Directors

The Directors in office for the year ended 31 December 2018 and at the date of this statement are as follows:

Executive Directors

Zhang Wei (Chairman and Chief Executive Officer)
Chen Zhiyong

Non-Executive Director

Dong Xincheng (re-designated as an Independent Non-Executive Director on 19 December 2018)

Independent Non-Executive Directors

Ong Kian Guan (resigned as the Lead Independent Non-Executive Director on 19 December 2018)
Oh Eng Bin (resigned as an Independent Non-Executive Director on 19 December 2018)
Siu Man Ho Simon (resigned as an Independent Non-Executive Director on 19 December 2018)
Liu Ning (appointed as the Lead Independent Non-Executive Director on 19 December 2018)
Dong Xincheng (re-designated as an Independent Non-Executive Director on 19 December 2018)
Lam Ying Hung Andy (appointed as an Independent Non-Executive Director on 19 December 2018)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Company is in compliance with the requirements of the Listing Rules relating to the appointment of at least three (3) Independent Non-Executive directors with at least one Independent Non-Executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the Independent Non-Executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each Independent Non-Executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out in the annual report under the section headed "Board of Directors" on pages 20 to 22 of this annual report and section headed "Senior Management" on page 23 of this annual report, respectively.

Directors' Service Contracts

Each Executive Director and Independent Non-Executive Director has entered into a service contract with the Company for a term of three (3) years.

DIRECTORS' STATEMENT

Year ended 31 December 2018

Directors' Remuneration

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year.

The remuneration and other emoluments are determined by the Board by recommendation of the Remuneration Committee with reference to the duties, responsibilities and performance of the Directors and the results of the Group.

Details of the remuneration of the Directors are set out in Note 29 to the financial statements.

Employees and Remuneration Policy

As at 31 December 2018, the Group employed a total of 403 (2017: 425) full-time staff.

The Group by reference to performance, contributions and experience determines the remuneration of its staff. The Group depending on necessity may provide internal and external training programme to its staff for enabling them to achieve the high performance standard and self-development.

Permitted Indemnity Provision

Every Director, Chief Executive Officer/Managing Director, auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him/her;

(i) in the execution and discharge of his/her duties as an officer or auditor of the Company, unless the same arises through his/her own negligence, wilful default, breach of duty or breach of trust; or

(ii) in defending any proceedings whether civil or criminal (relating to the affairs of the Company) in which judgment is given in his/her favour or in which he/she is acquitted or in connection with any application under the Act in which relief is granted to him/her by the Court unless such proceedings arise through his/her own negligence, wilful default, breach of duty or breach of trust.

Without prejudice to the generality of the foregoing, no Director, Chief Executive Officer/Managing Director, Secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his own negligence, wilful default, breach of duty or breach of trust.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' STATEMENT

Year ended 31 December 2018

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures of the Company or its Associated Corporations

As at 31 December 2018, the interests or short positions of our Directors and chief executive of our Company in the Shares or underlying shares of or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the SEHK pursuant to the provisions of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to notify our Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director	Capacity/ Nature of Interest	Number and class of securities	Approximate percentage of interest
Zhang Wei[(1)]	Beneficial Interest	106,821,938 (L)	54.46%
		75,529,648 (S)	38.51%
Chen Zhiyong	Beneficial Interest	40,240,256 (L)	20.52%
		24,240,256 (S)	12.36%

Notes:

(1) As at 31 December 2018, Zhang Wei is deemed interested in 15,792,290 Ordinary Shares held by Fine Skill Holdings Limited, which is wholly-owned by Zhang Wei.

(L) denotes Long position

(S) denotes Short position

Save as disclosed above, as at 31 December 2018, none of the Directors or Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the SEHK pursuant to Division 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the SEHK.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2018, the persons or entities other than our Directors and chief executive of our Company who have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Division 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 are as follows:

Name	Capacity/ Nature of Interest	Number of ordinary shares held	Approximate percentage of interest
Fine Skill Holdings Limited[(1)]	Beneficial interest	15,792,290 (L)	8.05%

Notes:

(1) As at 31 December 2018, Zhang Wei is deemed interested in 15,792,290 Ordinary Shares held by Fine Skill Holdings Limited, which is wholly-owned by Zhang Wei.

(L) denotes Long position

DIRECTORS' STATEMENT

Year ended 31 December 2018

Save as disclosed above, as at 31 December 2018, the Directors are not aware of any other persons or entities other than our Directors and chief executive of our Company who had an interest or short position in the shares or underlying shares of the Company which would be required 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 kept by the Company under Section 336 of the SFO.

Directors' interests in transactions, arrangements or contracts of significance

Other than disclosed above and in Note 35 to the financial statements, no transactions, arrangements or contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

Environmental Policies and Performance

Our Group continuously endeavours to promote environmental and social responsibility to employees and contribute to the community. Our Group is always in compliance with all the relevant laws and regulations. As a social responsible enterprise, our Group should keep promoting and enhancing the relevant environmental and social sustainable development of the regions and community.

Donations

During the year, the Group did not make any material charitable donations.

Compliance of Non-Competition Undertaking

As disclosed in the prospectus of the Company dated 29 March 2016 (the "Prospectus") pursuant to the non-competition undertakings set out in the deed of non-competition dated 10 March 2016, each of our controlling Shareholders, namely Mr. Zhang Wei and Mr. Chen Zhiyong (collectively referred to as the "Controlling Shareholders"), have undertaken to the Company (for itself and on behalf of its subsidiaries) that, amongst other things, each of them is not or will not, and will procure each of their respective close associates not to, directly or indirectly, carry on, participate in, be engaged, interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or similar to or is likely to be in competition with the business of the Group upon the Listing of the Company. Particulars of which are set out in the section headed "Relationship with Controlling Shareholders - Independence from Controlling Shareholders - Non-Competition Undertaking" of the Prospectus.

The independent non-executive Directors have reviewed the implementation of the deed of non-competition and are of the view that the Controlling Shareholders had complied with their undertakings given under the deed of non-competition for the year ended 31 December 2018.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed minimum public float as required under Listing Rules.

DIRECTORS' STATEMENT

Year ended 31 December 2018

Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Options

The Group had no share option scheme as at the date of this statement.

Continuing Connected Transactions

There is no transactions with connected persons which constitute continuing connected transactions within the meaning under the Listing Rules ("**Continuing Connected Transactions**") for financial year ended 31 December 2018.

Related Party Transactions

The Group entered into certain related party transactions with its related parties during the year ended 31 December 2018.

Details of the significant related party transactions are set out in Note 35 of the financial statements.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Zhang Wei
Director

Chen Zhiyong
Director

15 April 2019

INDEPENDENT AUDITORS' REPORT

To the members of Weiye Holdings Limited

Report on the audit of financial statements

Opinion

We have audited the financial statements of Weiye Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 173.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act), the Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Valuation of development properties (RMB3,353.3 million)	
(Refer to Note 19 to the financial statements)	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group is in the business of property development in the People's Republic of China (PRC). Development properties held for sale are stated at the lower of their cost and net realisable value. The determination of the net realisable value of these development properties is critically dependent upon the Group's expectations of future selling prices. The demand for development properties in the PRC is influenced by the economy and government property control measures. Such influences are expected to affect market demand and cause fluctuations in the market values of development properties. Future trends in the China property market may deviate from past trends. Therefore, there is a risk that estimates of net realisable value may exceed future selling prices, resulting in losses when properties are sold.	We challenged the Group's forecast selling prices by comparing the prices to, where available, recently transacted prices of the development properties and/or comparable properties located in the same vicinity as the development project. Our work focused on development projects with slower-than-expected sales or with low margins.

INDEPENDENT AUDITORS' REPORT

To the members of Weiye Holdings Limited

Key audit matters (continued)

Valuation of investment properties (RMB467.1 million)	
(Refer to Note 6 to the financial statements)	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group owns investment properties comprising retail and residential properties in the PRC. These investment properties are stated at their fair values based on valuations by an independent external property valuer. The valuation process involves significant judgement in determining the appropriate valuation methods to be used, and in estimating the key underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied, including market-corroborated capitalisation rates, estimated unit selling price and expected rental rates i.e. a small change in the assumptions can have a significant impact on valuation.	We evaluated the qualifications and competence of the external valuers. We read the terms of engagement of the external valuers with the Group to determine whether there are any matters that might have affected their objectivity or limited the scope of their work. We considered the valuation methodologies adopted against those applied by other valuers for similar property types. The integrity of key inputs of the projected cash flows used in the valuation are tested to supporting leases and other documents. We challenged the capitalisation rates, estimated unit selling price and expected rental rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. We also considered the adequacy of the descriptions in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair value measurement, in conveying the uncertainties, and the sensitivity of key unobservable inputs to the fair value measurement.
Accuracy of land appreciation tax expense (RMB108.3 million)	
(Refer to Note 30 to the financial statements)	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group is exposed to land appreciation tax (LAT) arising from the sales of development properties in the PRC. LAT is calculated by applying the progressive LAT rates, ranging from 30% to 60%, depending on the category of development properties sold. The LAT legislation in the PRC is implemented by the respective provincial government and its implementation varies across different provinces. Significant judgement and estimates are required in the determination of the tax rates to be applied to the different types of properties sold and the deductibility of expenditures.	We reviewed correspondences with the provincial tax authorities and challenged the Group's judgements made in their interpretations of LAT requirements, including the determination of the applicable tax rates to be applied to the respective types of development properties and the deductibility of different types of development expenditures. We have also tested the inputs used in the computation of LAT liabilities to supporting documents and assessed the adequacy of provision for LAT liabilities. We also considered the adequacy of the descriptions in the financial statements, in describing the inherent uncertainty and extent of judgements required in the determination of the Group's LAT liabilities.

INDEPENDENT AUDITORS' REPORT

To the members of Weiye Holdings Limited

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with IASs 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 financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of Weiye Holdings Limited

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

- Identify and assess the risks of material misstatement of the 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 controls.

- Obtain an understanding of internal controls 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 controls.

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

- Conclude on the appropriateness of management's 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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 directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulations preclude 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.

INDEPENDENT AUDITORS' REPORT

To the members of Weiye Holdings Limited

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Loo Kwok Chiang, Adrian.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
15 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group			Company		
		31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Non-current assets							
Property, plant and equipment	4	54,535	55,379	57,068	28	–	5
Intangible assets	5	676	3,726	3,421	–	–	–
Investment properties	6	467,059	473,200	483,000	–	–	–
Subsidiaries	7	–	–	–	1,669,975	1,669,975	1,669,975
Joint ventures	8	403,144	403,144	288,682	–	–	–
Trade and other receivables	10	99,160	227,860	217,454	–	–	418
Deferred tax assets	17	29,489	10,471	19,233	–	–	–
		1,054,063	1,173,780	1,068,858	1,670,003	1,669,975	1,670,398
Current assets							
Inventories	18	29,653	17,629	17,238	–	–	–
Development properties	19	3,353,320	2,646,148	2,545,693	–	–	–
Contract costs	26	39,357	10,020	–	–	–	–
Trade and other receivables	10	778,003	706,121	585,530	204,244	181,076	21,473
Contract assets	26	766,825	774,136	873,476	–	–	–
Other investments	9	12,079	6,520	2,320	–	–	–
Prepaid tax		57,594	141,091	34,358	–	–	–
Cash and cash equivalents	20	832,984	803,904	1,083,179	16,124	3,350	1,360
		5,869,815	5,105,569	5,141,794	220,368	184,426	22,833
Total assets		6,923,878	6,279,349	6,210,652	1,890,371	1,854,401	1,693,231

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 31 Dec 2018 RMB'000	Group 31 Dec 2017 RMB'000	Group 1 Jan 2017 RMB'000	Company 31 Dec 2018 RMB'000	Company 31 Dec 2017 RMB'000	Company 1 Jan 2017 RMB'000
Equity attributable to owners of the Company							
Share capital	21	359,700	359,700	359,700	1,737,554	1,737,554	1,737,554
Reserves	22	1,126,987	964,378	841,643	(75,501)	(100,904)	(89,134)
		1,486,687	1,324,078	1,201,343	1,662,053	1,636,650	1,648,420
Non-controlling interests	25	262,446	200,628	177,822	–	–	–
Total equity		1,749,133	1,524,706	1,379,165	1,662,053	1,636,650	1,648,420
Liabilities							
Non-current liabilities							
Loans and borrowings	23	420,196	878,325	1,345,088	226,815	185,366	–
Deferred tax liabilities	17	284,322	258,059	242,059	–	–	–
		704,518	1,136,384	1,587,147	226,815	185,366	–
Current liabilities							
Loans and borrowings	23	1,618,361	1,117,155	1,738,832	–	–	–
Trade and other payables	24	1,587,625	1,134,762	800,402	1,503	32,385	44,811
Contract liabilities	26	1,017,136	1,171,553	494,684	–	–	–
Income tax payable		247,105	194,789	210,422	–	–	–
		4,470,227	3,618,259	3,244,340	1,503	32,385	44,811
Total liabilities		5,174,745	4,754,643	4,831,487	228,318	217,751	44,811
Total equity and liabilities		6,923,878	6,279,349	6,210,652	1,890,371	1,854,401	1,693,231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	Group 2018 RMB'000	Group 2017 RMB'000
Revenue	26	1,778,009	1,748,042
Cost of sales		(1,212,151)	(1,520,176)
Gross profit		565,858	227,866
Other income	27	77,687	71,637
Selling and distribution expenses		(53,459)	(41,200)
Administrative expenses		(164,336)	(139,991)
Other operating expenses		(9,276)	(10,442)
Results from operating activities		416,474	107,870
Net finance (costs)/income	28	(17,958)	6,215
Share of profit of joint ventures (net of tax)	8	–	114,462
Profit before tax	29	398,516	228,547
Income tax expense	30	(238,185)	(94,065)
Profit for the year		160,331	134,482
Profit attributable to:			
Owners of the Company		166,378	123,676
Non-controlling interests	25	(6,047)	10,806
Profit for the year		160,331	134,482
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(1,426)	(941)
Total other comprehensive loss for the year, net of income tax		(1,426)	(941)
Total comprehensive income for the year		158,905	133,541
Total comprehensive income attributable to:			
Owners of the Company		164,952	122,735
Non-controlling interests	25	(6,047)	10,806
Total comprehensive income for the year, net of income tax		158,905	133,541
Earnings per share:			
Basic earnings per share (cents)	32	84.83	63.06
Diluted earnings per share (cents)	32	84.83	63.06

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	359,700	(59,669)	(550)	(17,205)	98,826	942,976	1,324,078	200,628	1,524,706
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	–	–	(2,343)	(2,343)	(135)	(2,478)
Adjusted balance at 1 January 2018	359,700	(59,669)	(550)	(17,205)	98,826	940,633	1,321,735	200,493	1,522,228
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	166,378	166,378	(6,047)	160,331
Other comprehensive income									
Foreign currency translation differences for foreign operations	–	–	–	(1,426)	–	–	(1,426)	–	(1,426)
Total other comprehensive income	–	–	–	(1,426)	–	–	(1,426)	–	(1,426)
Total comprehensive income for the year	–	–	–	(1,426)	–	166,378	164,952	(6,047)	158,905
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	68,000	68,000
Total transactions with owners	–	–	–	–	–	–	–	68,000	68,000
Transfer from retained earnings to statutory reserves	–	–	–	–	20,237	(20,237)	–	–	–
At 31 December 2018	359,700	(59,669)	(550)	(18,631)	119,063	1,086,774	1,486,687	262,446	1,749,133

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	359,700	(59,669)	(550)	(16,264)	91,000	827,126	1,201,343	177,822	1,379,165
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	123,676	123,676	10,806	134,482
Other comprehensive income									
Foreign currency translation differences for foreign operations	–	–	–	(941)	–	–	(941)	–	(941)
Total other comprehensive income	–	–	–	(941)	–	–	(941)	–	(941)
Total comprehensive income for the year	–	–	–	(941)	–	123,676	122,735	10,806	133,541
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	12,000	12,000
Total transactions with owners	–	–	–	–	–	–	–	12,000	12,000
Transfer from retained earnings to statutory reserves	–	–	–	–	7,826	(7,826)	–	–	–
At 31 December 2017	359,700	(59,669)	(550)	(17,205)	98,826	942,976	1,324,078	200,628	1,524,706

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before tax		398,516	228,547
Adjustments for:			
Amortisation of intangible assets	29	763	1,376
Impairment loss on club membership	29	–	418
Gain on disposal of a subsidiary	27	–	(29)
Change in fair value of investment properties	29	–	6,146
Depreciation of property, plant and equipment	29	5,896	5,428
Gain on disposal of property, plant and equipment	27	(35)	(1,273)
Gain on disposal of other investments	27	(22)	(32)
Impairment loss on intangible assets	29	3,543	–
Loss on disposal of investment properties	29	331	203
Finance costs		32,309	37,505
Interest income	28	(14,351)	(43,720)
Allowance for impairment loss (reversed)/ made on trade and other receivables, net	29	(4,153)	904
Impairment loss on contract assets	29	1,469	–
Net change in fair value of other investments	27	2,701	698
Property, plant and equipment written off	29	113	9
Share of profit of joint ventures (net of tax)	8	–	(114,462)
Effects of exchange rate changes		(1,375)	691
		425,705	122,409
Changes in:			
Inventories		(12,024)	(391)
Development properties		(538,384)	78,496
Contract costs		(29,337)	(10,020)
Trade and other receivables		(85,188)	(125,001)
Contact assets		3,566	99,340
Trade and other payables		93,902	164,640
Contract liabilities		(162,894)	676,869
Cash (used in)/generated from operating activities		(304,654)	1,006,342
Income taxes paid		(94,342)	(118,368)
Net cash (used in)/from operating activities		(398,996)	887,974

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from investing activities			
Acquisition of intangible assets	5	(1,584)	(1,681)
Interest received		30,823	30,191
Net cash outflow from disposal of a subsidiary	31	–	(75,615)
Proceeds from disposal of investment properties		5,810	3,451
Repayment from a joint venture partner		128,700	–
Proceeds from disposal of property, plant and equipment		784	3,406
Proceeds from disposal of other investments		3,022	5,846
Purchase of property, plant and equipment		(4,786)	(5,083)
Purchase of other investments		(11,260)	(10,712)
Net cash from/(used in) investing activities		151,509	(50,197)
Cash flows from financing activities			
Capital contribution from non-controlling interests		68,000	12,000
(Increase)/Decrease in restricted cash		(154,586)	141,204
Interest paid		(192,620)	(222,270)
Repayment of finance lease obligations		(197)	(131)
Repayment of loans and borrowings		(689,600)	(2,558,805)
Proceeds from loans from third parties		37,000	–
Amount due to non-controlling interests (non-trade)		321,961	184,119
Proceeds from loans and borrowings		732,850	1,464,023
Net cash from/(used in) financing activities		122,808	(979,860)
Net decrease in cash and cash equivalents		(124,679)	(142,083)
Cash and cash equivalents at 1 January		654,052	795,829
Effect of exchange rate fluctuations on cash held		(220)	306
Cash and cash equivalents at 31 December	20	529,153	654,052

Non-cash transaction:

During the financial year, the Group acquired plant and equipment with an aggregate cost of RMB5,463,000, of which RMB677,000 was acquired under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 15 April 2019.

1 Domicile and activities

Weiye Holdings Limited (the 'Company') is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 100H Pasir Panjang Road #01-01 OC@Pasir Panjang, Singapore 118524. The Company is listed on the Main Board of the Stock Exchange of Hong Kong Limited ('SEHK'). On 24 August 2018, the Company was delisted from the Singapore Exchange Securities Trading Limited ('SGX-ST'). After the delisting from SGX-ST, the Company's shares is only traded in SEHK.

The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interests in joint ventures.

The principal activities of the Group are those of property developers for residential and commercial properties in the People's Republic of China, and the manufacture and trading of heating, ventilation, air-conditioning, air purification and clean room equipment.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs). SFRS(I)s are issued by the Accounting Standards Council, which comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board. All references to SFRS(I)s and IFRSs are subsequently referred to as IFRS in these financial statements unless otherwise stated. These are the Group's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to IFRS and application of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have affected the reported financial position, financial performance and cash flows is provided in Note 39.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

The Company's functional currency is the Singapore dollar. As the Group's operations are principally conducted in the People's Republic of China ("PRC"), the consolidated financial statements have been presented in the Chinese Renminbi ("RMB"). All financial information presented in RMB has been rounded to the nearest thousand (RMB'000), unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2 Basis of preparation (continued)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 38.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a finance team that has overall responsibility for all significant fair value measurements, including Level 3 fair values (if applicable), and reports directly to the Chief Financial Officer.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between the levels for the years ended 31 December 2018 and 31 December 2017.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – Investment properties; and
- Note 37 – Fair value of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statements of financial position at 1 January 2017 for the purposes of the transition to IFRS, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisition from 1 January 2017

For acquisition from 1 January 2017, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by IFRS.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Business combinations (continued)

Acquisition from 1 January 2017(continued)

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Acquisitions before 1 January 2017

As part of the transition to IFRS, the Group elected not to restate these business combinations that occurred before the date of transition to IFRS i.e. 1 January 2017.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any surplus or deficit arising on the loss of control is recognised in profit or loss. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in joint ventures (equity accounted investees)

The Group's interests in equity-accounted investees comprise interests in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with its joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and joint ventures in the separate financial statements

Investments in subsidiaries and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to RMB at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to RMB at exchange rates approximating the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Since 1 January 2017, the Group's date of transition to IFRS, such differences continue to be recognised in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.2 Foreign currency (continued)

Foreign operations (continued)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018 (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018.

Financial assets at FVTPL

A financial asset was classified at FVTPL if it was classified as held-for-trading or was designated as such upon initial recognition. Financial assets were designated at FVTPL if the Group managed such investments and made purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs were recognised in profit or loss as incurred. Financial assets at FVTPL were measured at fair value, and changes therein, which took into account any dividend income, were recognised in profit or loss.

Financial assets designated at FVTPL comprised equity investments that otherwise would have been classified as available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018 (continued)

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on available-for-sale debt investments, were recognised in other comprehensive income and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised floating rate debt instrument.

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(vii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Freehold land is measured at cost less accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

Depreciation (continued)

The estimated useful lives for the current and comparative years are as follows:

Freehold building	50 years
Leasehold building	20 to 34 years (or lease term, if shorter)
Factory equipment	5 to 20 years
Building and factory improvements	5 years
Plant and machinery	5 to 12 years
Motor vehicles	5 to 10 years
Furniture and fittings and office equipment	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Club memberships

Club memberships held on a long-term basis are stated at cost less allowance for impairment loss.

An assessment of impairment in club memberships is performed when there is indication that the assets have been impaired or when the impairment losses recognised in previous years has decreased or no longer exist.

3.6 Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the assets. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the assets for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.6 Intangible assets (continued)

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Software	–	3 years
Developments	–	3 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as investment properties, its fair value at the date of transfer becomes its cost for subsequent accounting.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.8 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.9 Inventories, development properties and other contract costs

(i) Inventories – Equipment manufacturing

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

Cost is based on the first-in first-out principle and expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Development properties

Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

In accordance with IAS 23 *Borrowing costs*, the borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Completed property held for resale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the company, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.9 Inventories, development properties and other contract costs (continued)

(ii) Development properties (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(iii) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property and plant and equipment or intangible assets.

Incremental costs of obtaining a contract are those costs that the company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the company entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the company expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 3.14.

3.10 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in Note 3.11 and are reclassified to receivables when the right to the consideration has become unconditional. Contract assets is transferred to trade receivables when the entitlement to payment becomes unconditional.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.10 Contract assets and contract liabilities (continued)

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

Contract assets and contract liabilities are classified on the statement of financial position on a contract by contract basis.

3.11 Impairment

(i) Non-derivative financial assets and contract assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs; and
- contract assets (as defined in IFRS 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.11 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

Policy applicable from 1 January 2018 (continued)

General approach (continued)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding beyond management's expected range of past due days taking into consideration past payment trends, macroeconomic, and industry conditions.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default (as defined above);
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.11 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

Policy applicable from 1 January 2018 (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy under FRS 39 applicable before 1 January 2018

A financial asset not carried at FVTPL, including an interest in joint ventures, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. The Group considered a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables and contract assets

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified.

Loans and receivables that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.11 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

Policy applicable before 1 January 2018 (continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Joint ventures

An impairment loss in respect of joint ventures is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for purposes of goodwill impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.11 Impairment (continued)

(iii) Non-financial assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.12 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to investment properties, development properties, inventories, financial assets, and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of joint ventures ceases once classified as held for sale.

3.13 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.14 Revenue

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group applies the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is 12 months or less.

Further details of the Group's revenue recognition policies are as follows:

Development properties for sale

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

When the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23 (see Note 3.9(i)).

In the comparative period, revenue from sales of properties was recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which was taken to be the point in time when the risks and rewards of ownership of the property had passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under trade and other payables and no interest expense was accrued on payments received in advance.

Sale of goods and services

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a PO by transferring control of a promised good or completing a service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.14 Revenue (continued)

Sale of goods and services (continued)

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Revenue from sales of goods and services was recognised on a similar basis in the comparative period under FRS 18.

3.15 Other income

Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

Commission income

Commission income is recognised upon completion of the rendering of services.

3.16 Government grants

Grant income is received from the local government in the PRC at a discretionary amount as determined by the government. It is recognised initially as deferred income at fair value where there is reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as "other income" on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.17 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.18 Finance income and finance costs

Finance income comprising interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expenses on loans and borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.19 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

3 Significant accounting policies (continued)

3.19 Tax (continued)

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 some of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences may have an impact on the LAT expenses and the related provision in the period in which the difference realises.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3 Significant accounting policies (continued)

3.20 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.22 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 40.

4 Property, plant and equipment

Group

	Freehold land RMB'000	Freehold building RMB'000	Leasehold building RMB'000	Factory equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fittings and office equipment RMB'000	Building and factory improvements RMB'000	Total RMB'000
Cost									
At 1 January 2017	6,827	25,128	13,305	3,532	17,517	24,817	6,550	3,337	101,013
Additions	–	–	–	83	608	1,926	676	1,980	5,273
Disposals	(723)	(477)	–	(966)	(7,090)	(1,730)	(1,502)	(965)	(13,453)
Written off	–	–	–	(11)	(36)	–	(4)	–	(51)
Effects of movements in exchange rates	(326)	1,031	–	85	348	77	(1)	52	1,266
At 31 December 2017	5,778	25,682	13,305	2,723	11,347	25,090	5,719	4,404	94,048
At 1 January 2018	5,778	25,682	13,305	2,723	11,347	25,090	5,719	4,404	94,048
Additions	–	593	–	38	1,268	2,066	1,039	459	5,463
Disposals	–	–	–	–	–	(677)	(209)	–	(886)
Written off	–	–	–	(77)	(185)	–	(176)	(30)	(468)
Effects of movements in exchange rates	206	462	–	96	258	91	128	99	1,340
At 31 December 2018	5,984	26,737	13,305	2,780	12,688	26,570	6,501	4,932	99,497

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4 Property, plant and equipment (continued)

Group (continued)

	Freehold land RMB'000	Freehold building RMB'000	Leasehold building RMB'000	Factory equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fittings and office equipment RMB'000	Building and factory improvements RMB'000	Total RMB'000
Accumulated depreciation									
At 1 January 2017	–	3,423	–	3,126	15,143	16,470	4,688	1,095	43,945
Depreciation charge	–	260	632	98	658	2,534	542	704	5,428
Disposals	–	(200)	–	(906)	(6,893)	(1,327)	(1,432)	(563)	(11,321)
Written off	–	–	–	(8)	–	–	(3)	–	(11)
Effects of movements in exchange rates	–	119	–	73	423	65	(75)	23	628
At 31 December 2017	–	3,602	632	2,383	9,331	17,742	3,720	1,259	38,669
At 1 January 2018	–	3,602	632	2,383	9,331	17,742	3,720	1,259	38,669
Depreciation charge	–	271	632	87	60	2,452	1,273	1,121	5,896
Disposals	–	–	–	–	–	–	(137)	–	(137)
Written off	–	–	–	(67)	(139)	–	(144)	(5)	(355)
Effects of movements in exchange rates	–	382	–	83	233	71	94	26	889
At 31 December 2018	–	4,255	1,264	2,486	9,485	20,265	4,806	2,401	44,962
Carrying amounts									
At 1 January 2017	6,827	21,705	13,305	406	2,374	8,347	1,862	2,242	57,068
At 31 December 2017	5,778	22,080	12,673	340	2,016	7,348	1,999	3,145	55,379
At 31 December 2018	5,984	22,482	12,041	294	3,203	6,305	1,695	2,531	54,535

4 Property, plant and equipment (continued)

Company

	Furniture and fittings and office equipment RMB'000
Cost	
At 1 January 2017, 31 December 2017 and 1 January 2018	28
Additions	33
Written off	(28)
At 31 December 2018	33
Accumulated depreciation	
At 1 January 2017	23
Depreciation charge	5
At 31 December 2017	28
At 1 January 2018	28
Depreciation charge	5
Written off	(28)
At 31 December 2018	5
Carrying amounts	
At 1 January 2017	5
At 31 December 2017	–
At 31 December 2018	28

Assets held under finance leases

The carrying amount of motor vehicles of the Group held under finance leases as at 31 December 2018 was RMB813,000 (31 December 2017: RMB395,000; 1 January 2017: RMB274,000).

There were no assets of the Company held under finance lease as at 31 December 2018, 31 December 2017 and 1 January 2017.

Security

As at 31 December 2018, the Group's property, plant and equipment with a total carrying value of RMB28,760,000 (31 December 2017: RMB30,103,000; 1 January 2017: RMB29,825,000), are subject to a legal charge to secure a subsidiary's bank borrowings and the Company's borrowings with a bank (see Note 23).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

5 Intangible assets

Group

	Software RMB'000	Development costs RMB'000	Total RMB'000
Cost			
At 1 January 2017	1,021	4,054	5,075
Additions	120	1,561	1,681
At 31 December 2017	1,141	5,615	6,756
At 1 January 2018	1,141	5,615	6,756
Additions	637	947	1,584
Written off	(944)	–	(944)
Effects of movements in exchange rates	–	(63)	(63)
At 31 December 2018	834	6,499	7,333
Accumulated amortisation and impairment losses			
At 1 January 2017	805	849	1,654
Amortisation charge	126	1,250	1,376
At 31 December 2017	931	2,099	3,030
At 1 January 2018	931	2,099	3,030
Amortisation charge	171	592	763
Written off	(944)	–	(944)
Impairment loss	–	3,543	3,543
Effects of movements in exchange rates	–	265	265
At 31 December 2018	158	6,499	6,657
Carrying amounts			
At 1 January 2017	216	3,205	3,421
At 31 December 2017	210	3,516	3,726
At 31 December 2018	676	–	676

Intangible assets comprise software purchased from vendors and development costs. Development costs relate to expenditures capitalised in relation to the development of new products by a subsidiary. The amortisation of intangible assets is included in administrative expenses in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

5 Intangible assets (continued)

Impairment loss

Impairment loss was recognised in relation to the manufacture of a new product in the Equipment Manufacturing segment.

In the current year, due to continued operating losses and tighter market conditions, management assessed that there were indicators of impairment on the recoverable amount of a CGU in the Equipment Manufacturing Segment that included these development expenditure capitalised.

The Group assessed that the cash flows projection for the next three years to be negative and that there is no reliable source to estimate the fair value less cost to sell of the intangible assets. The recoverable amount of the CGU is RMB Nil and accordingly, the Group recorded an impairment loss of RMB3,543,000 to the statement of profit or loss and other comprehensive income ("other operating expenses").

The recoverable amount of the CGU was estimated based on the present value of the future cash flows expected to be derived (i.e. value-in-use). The key assumptions applied in the value-in-use computation are as follows:

	2018 %
3 years compounded sales growth rate	65.6
Average gross profit margin	27.5
Discount rate	12.2

6 Investment properties

	Group	
	2018 RMB'000	2017 RMB'000
At 1 January	473,200	483,000
Disposal	(6,141)	(3,654)
	467,059	479,346
Changes in fair value during the year	–	(6,146)
At 31 December	467,059	473,200

Determination of fair value

Investment properties are stated at fair value based on valuations as at 31 December 2018 by Cushman & Wakefield International Properties Advisers (Guangzhou) Co., Ltd., an independent professional valuer, who has the appropriate recognised professional qualification and experience in the location and category of property being valued. Independent valuations are obtained annually for all investment properties.

In determining the fair value, the valuers have used valuation methods which involve estimates. Management has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of current market conditions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6 Investment properties (continued)

Determination of fair value (continued)

The independent professional valuers have considered valuation techniques including direct comparison method, and/or capitalisation approach in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation rates, estimated unit selling price and expected rental rates.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to those reflective of the investment properties. The capitalisation approach capitalises an income stream into a present value using revenue multipliers or capitalisation rates.

Changes in fair values are recognised as net (loss)/gains in profit or loss and included in "Other operating expenses/ other income' as applicable. All net (loss)/gains are unrealised.

Similar to that disclosed in the circular to shareholders dated 20 June 2018, management had obtained a property valuation report as at 31 December 2018 for one of the investment properties with an aggregate carrying amount of RMB236,000,000, but the report has ascribed no commercial value to this property as the building ownership certificate has not been obtained. The valuer noted that the market value of the property in its existing state would be equivalent to its carrying amount as at 31 December 2018 of RMB236,000,000 (31 December 2017: RMB236,000,000; 1 January 2017: RMB236,000,000) had the building ownership certificate been obtained. Management is currently following up closely on the application process of building ownership certificate. Management is of the view that as the consideration of the property has been fully paid, the risks and rewards of ownership of the property has been transferred to the Group.

Fair value hierarchy

The fair values for investment properties of RMB467,059,000 (31 December 2017: RMB473,200,000; 1 January 2017: RMB483,000,000) have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the Group's valuation technique used in measuring the fair value of investment properties and investment properties under development, as well as the significant unobservable inputs used.

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation approach	- Expected rental of RMB10 per square metre ("psm") to RMB93 psm (31 December 2017: RMB9 psm to RMB90 psm; 1 January 2017: RMB20 psm to RMB90 psm) - Capitalisation rates for the year ended 31 December 2018 was from 3% to 5.75% (31 December 2017: 3% to 5.75%; 1 January 2017: 4.5% to 6%)	A significant increase/(decrease) in expected rental rates and a significant decrease/(increase) in capitalisation rate would result in a higher/(lower) fair value measurement.
Direct comparison method	- Expected unit selling price of RMB5,200 psm to RMB22,616 psm (31 December 2017: RMB5,200 psm to RMB22,600 psm; 1 January 2017: RMB5,800 to RMB15,875 psm)	A significant increase/(decrease) in expected unit price would result in a higher/(lower) fair value measurement.

Security

At 31 December 2018, investment properties with carrying values of RMB231,000,000 (31 December 2017: RMB237,200,000; 1 Jan 2017: RMB247,000,000) have been mortgaged as security for loan facilities granted by financial institutions to the Group (see Note 23).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 Subsidiaries

	Company		
	31 Dec 2018 RMB'000	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000
Unquoted equity shares, at cost	1,670,422	1,670,422	1,670,422
Less: Allowance for impairment loss	(447)	(447)	(447)
	1,669,975	1,669,975	1,669,975

Details of the subsidiaries at the end of the financial year are as follows:

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/ Issued and fully paid up share capital	Principal activities	Equity interest		
						31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
+&	Great Spirit Management Limited 精誠管理有限公司	24 April 2009	British Virgin Islands	USD 27,950,000	Investment holding	100	100	100
*	Xie Tong International Pte. Ltd. 協同國際私人有限公司	7 March 2014	Singapore	SGD 853,001	Investment holding	100	100	100
*	Eindec Corporation Limited 英德集團有限公司	2 April 2015	Singapore	SGD 14,917,262	Investment holding	66.8***	66.8***	66.8***
	Held through Eindec Corporation Limited							
*	Eindec Holdings Pte. Ltd. 英德集團私人有限公司	13 May 2015	Singapore	SGD 9,300,001	Investment holding	100	100	100
	Held through Eindec Holdings Pte. Ltd.							
*	Eindec Singapore Pte. Ltd. 英德集團私人有限公司	19 May 2015	Singapore	SGD 2,930,001	Manufacturers and traders in air-conditioning, air purification and clean room equipment	100	100	100
▲	Eindec Technology (Malaysia) Sdn. Bhd.	21 August 1989	Malaysia	RM 1,000,000	Manufacturers and traders in air-conditioning and clean room equipment	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 Subsidiaries (continued)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/ Issued and fully paid up share capital	Principal activities	Equity interest		
						31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
	Held through Eindec Holdings Pte. Ltd. (continued)							
+&2	Eindec (Shanghai) Co., Ltd. 優多商貿(上海)有限公司	23 November 2005	PRC	USD 300,000	Clean room equipment and ventilation equipment wholesale, agency, import and export of industrial products and related supporting businesses	100	100	100
+&2	Eindec (Shenzhen) Environment Technology Co., Ltd. 英德(深圳)保科技有限公司	9 July 2015	PRC	RMB20,000,000 / RMB8,000,000	Industrial clean room equipment, air purification filter equipment and its part and components, the transfer of technology of its own research and development, technology consultation, technology services and after-sales service.	100	100	100
	Held through Xie Tong International Pte. Ltd.							
*	Xie Tong Technology Pte. Ltd. 協同科技私人有限公司	18 March 1998	Singapore	SGD 50,000	Traders in air-conditioning and clean room equipment and those of commission agents	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 Subsidiaries (continued)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/ Issued and fully paid up share capital	Principal activities	Equity interest		
						31 Dec 2018	31 Dec 2017	1 Jan 2017
						%	%	%
	Held through Great Spirit Management Limited							
+&2	Weiye Holdings (Hong Kong) Limited 偉業控股(香港)有限公司	17 September 2009	Hong Kong	HKD 10,000	Investment holding	100	100	100
	Held through Weiye Holdings (Hong Kong) Limited							
+&2	Jinwei (Henan) Trading Limited Company 金偉(河南)商貿有限公司	6 January 2012	PRC	RMB300,000,000	Trader in building construction materials	100	100	100
+&2	Hongji Weiye (Shenzhen) Trading Limited Company 宏基偉業(深圳)商貿物流有限公司	15 October 2014	PRC	RMB 300,000,000 / RMB 50,000,000	Trading of construction materials and logistics management	100	100	100
+&2	Hainan Hongji Weiye Property Development Co., Ltd. 海南宏基偉業房地產開發有限公司	12 February 2004	PRC	RMB10,000,000	Investment holding	100	100	100
	Held through Hainan Hongji Weiye Property Development Co., Ltd.							
+&2	Hongji Weiye (Hainan) Non Movable Property Management Group Co., Ltd 宏基偉業(海南)不動產管理集團有限公司	28 April 2010	PRC	RMB30,000,000	Investment holding	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 Subsidiaries (continued)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/ Issued and fully paid up share capital	Principal activities	Equity interest		
						31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
	Held through Hongji Weiye (Hainan) Non Movable Property Management Group Co., Ltd							
+&1	Henan Weiye Construction Development Group Co., Ltd. 河南偉業建設開發集團有限公司	30 October 1999	PRC	RMB200,000,000	Property development and management and ancillary services	100	100	100
+&1	Weiye Holdings Hainan Real Estate Co., Ltd 偉業控股海南地產有限公司	16 December 2008	PRC	RMB50,000,000	Investment holding	49**	49**	49**
+&1	Weiye Property Holdings (Shenzhen) Co., Ltd 緯業地產控股(深圳)有限公司	8 August 2016	PRC	RMB100,000,000	Investment holding	100	100	100
+&1	Weiye Property (Tianjin) Co., Ltd 偉業地產(天津)有限公司	11 November 2016	PRC	RMB100,000,000	Property development	100	100	100
+&1	Huzhou Ganghong Zhiye Co., Ltd ("Huzhou Ganghong") 湖州港宏置業有限公司	19 October 2017	PRC	RMB20,000,000	Property development	40^	40^	–
+&1	Shanghai Yuebo Property Developer Co., Ltd. 上海悅博房地產有限公司	20 April 2018	PRC	RMB100,000,000	Property development	100	–	–
	Held through Shanghai Yuebo Property Developer Co., Ltd							
+&1	Yizheng Hongrui Property Developmer Co., Ltd. ("Yizheng Hongrui") 儀征鴻瑞房地產開發有限公司	16 October 2018	PRC	RMB40,000,000	Property development	30^	–	–
+&1	Yizheng Honglin Zhiye Co., Ltd. ("Yizheng Honglin") 儀征弘麟置業有限公司	16 October 2018	PRC	RMB40,000,000	Property development	30^	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 Subsidiaries (continued)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/ Issued and fully paid up share capital	Principal activities	Equity interest		
						31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
	Held through Henan Weiye Contruction Development Group Co.,Ltd							
+&1	Xinxiang Weiye Property Co., Ltd. 新鄉偉业置地有限公司	3 April 2007	PRC	RMB75,000,000	Property development	100	100	100
+&1,3	Henan Huibang Property Co., Ltd. 河南薈邦置业有限公司	2 March 2007	PRC	RMB20,000,000	Property development	–	–	100
+&1	Henan Xingwei Property Co., Ltd. 河南兴偉置业有限公司	15 November 2012	PRC	RMB700,000,000	Property development	100	100	100
+&1	Tunchang Hongji Weiye Property Development Co., Ltd. 屯昌宏基偉業地產發展有限公司	23 June 2010	PRC	RMB10,000,000	Property development	10	10	10
+&1	Henan Tiandao Assets Management Co., Ltd. (“Henan Tiandao”) 河南天道資產管理有限公司	19 March 2010	PRC	RMB10,000,000	Property development	51	51	51
+&1	Weiye Holdings Hainan Real Estate Co., Ltd 偉業控股海南地產有限公司	16 December 2008	PRC	RMB50,000,000	Investment holding	51**	51**	51**
+&2	Henan Jiawei Zhiye Co.,Ltd 河南嘉偉置業有限公司	21 February 2017	PRC	RMB10,000,000	Property development	100	100	–
	Held through Weiye Holdings Hainan Real Estate Co., Ltd							
+&1	Wenchang Maoyuan Tourism Co., Ltd. 文昌市茂源旅業有限公司	9 September 1998	PRC	RMB10,000,000	Property development	100	100	100
+&1	Wanning Yingde Property Co., Ltd 萬寧英德置業有限公司	17 November 2009	PRC	RMB20,000,000	Property development	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 Subsidiaries (continued)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/ Issued and fully paid up share capital	Principal activities	Equity interest		
						31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
	Held through Weiye Holdings Hainan Real Estate Co., Ltd (continued)							
+&1	Hainan Zhongfang Investment Holdings Limited Company 海南中方投資有限公司	22 June 2009	PRC	RMB10,000,000	Property development	100	100	100
+&1	Tunchang Hongji Weiye Property Development Co., Ltd. 屯昌宏基偉業地產發展有限公司	23 June 2010	PRC	RMB10,000,000	Property development	90	90	90
+&1	Tunchang Yajing Property Co., Ltd. 屯昌雅境置業有限公司	13 April 2010	PRC	RMB10,000,000	Property development	100	100	100
	Held through Weiye Property Holdings (Shenzhen) Co., Ltd							
+&1	Huizhoushi Dajinzhou Property Co., Ltd. 惠州市大金洲置業有限公司	13 September 2016	PRC	RMB10,000,000	Property development	100	100	100
+&1	Guangdong Leiding Property Co., Ltd. 廣東磊鼎置業有限公司	13 September 2016	PRC	RMB10,000,000	Property development	100	100	100
+&1	Huizhou Dayawan Pengrun Property Co., Ltd. 惠州大亞灣鵬潤置業有限公司	4 November 2016	PRC	RMB1,000,000	Property development	100	100	100
+&1	Shenzhen City Pangu Weiye Property Development Co., Ltd ("Shenzhen Pangu") 深圳市盤古緯業產業開發有限公司	15 October 2018	PRC	RMB30,000,000	Property development	60	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7 Subsidiaries (continued)

	Name	Date of incorporation	Country of incorporation/ business	Registered capital/ Issued and fully paid up share capital	Principal activities	Equity interest		
						31 Dec 2018	31 Dec 2017	1 Jan 2017
						%	%	%
	Held through Shenzhen Pangu Weiye Property Development Co., Ltd							
+&1	Fujian Tianjiao Corporation Management Co., Ltd ("Fujian Tianjiao") 福建天角企業管理有限公司	7 August 2018	PRC	RMB70,800,000 / RMB15,000,000	Property development	60	–	–
+&1	Fujian Tianzhi Corporation Management Co., Ltd ("Fujian Tianzhi") 福建天徵企業管理有限公司	7 August 2018	PRC	RMB78,600,000 / RMB15,000,000	Property development	60	–	–

* Audited by KPMG LLP, Singapore.

▲ Audited by a member firm of KPMG International.

\+ Audited for the purpose of group consolidation by a member firm of KPMG International.

& Audited by other firms of certified public accountants for statutory purposes.

1 Registered in a form of local enterprise under the PRC laws.

2 Registered in a form of wholly-owned foreign enterprise under the PRC laws.

3 Wholly-owned subsidiary was fully disposed to a third party on 21 April 2017.

** In 2016, the Group reviewed its Group structure and transferred 51% equity interest in Weiye Holdings Hainan Real Estate Co., Ltd from Hongji Weiye (Hainan) Non Movable Property Management Group Co., Ltd to Henan Weiye Construction Development Group Co., Ltd. The Group continues to hold the entire equity interest in Weiye Holdings Hainan Real Estate at 1 January 2017, 31 December 2017 and 31 December 2018.

*** On 16 January 2016, the Group successfully completed the listing of Eindec Corporation Limited ("Eindec Corporation") on the Catalist of the SGX-ST. As part of the listing exercise, Eindec Corporation issued 35.8 million new ordinary shares to third party subscribers. As a result of the new ordinary shares issued, the Group's equity interest in Eindec Corporation was diluted from 100% to 66.8%.

^ Although the Group holds effective interest of less than 50% in Huzhou Ganghong,Yizheng Hongrui and Yizheng Honglin, it is exposed to and has rights to variable returns from its involvement with Huzhou Ganghong,Yizheng Hongrui and Yizheng Honglin and has the ability to affect those returns through its power over Huzhou Ganghong,Yizheng Hongrui and Yizheng Honglin. Consequently, Huzhou Ganghong, Yizheng Hongrui and Yizheng Honglin have been consolidated as subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8 Joint ventures

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Investments in joint ventures	403,144	403,144	288,682

Details of the joint ventures are as follows:

Name of entity	Principal activities	Country of incorporation/ business	Effective equity interest held by the Group		
			31 Dec 2018	31 Dec 2017	1 Jan 2017
			%	%	%
Zhengzhou Daimashi Enterprise Co., Ltd ("Daimashi") 鄭州黛瑪仕實業有限公司	Property development	PRC	65	65	65
Hanfang Yaoye Co., Ltd ("Hanfang Yaoye") 漢方藥業有限責任公司	Property development	PRC	51	51	51

The unaudited financial information of the joint ventures, based on its financial statements prepared in accordance with IFRS, modified for differences in the Group's accounting policies:

	2018			2017		
	Daimashi	Hanfang Yaoye	Total	Daimashi	Hanfang Yaoye	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue for the year	–	–	–	352,349	–	352,349
Group interest in net assets of investees						
At 1 January	293,144	110,000	403,144	178,682	110,000	288,682
Share of total comprehensive income [(1)]	–	–	–	114,462	–	114,462
At 31 December	293,144	110,000	403,144	293,144	110,000	403,144

(1) Includes tax expense of RMB7,403,000.

Daimashi

The Group's share of assets and liabilities, including its share of profit or loss in Daimashi is not in proportion to its equity interests pursuant to the collaboration agreement dated 23 October 2014 entered into between the shareholders of Daimashi.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8 Joint ventures (continued)

Daimashi (continued)

In 2017, the Group and the joint venture partner entered into an agreement to dispose of the Group's rights in relation to the remaining unsold property units to an independent third party. Subsequent to the disposal, the Group ceased to recognise its share of profits or loss arising from the joint venture as the Group had relinquished its rights in relation to the future sales of the remaining unsold property units of the joint venture. Refer to Note 27 for further information.

As at 31 December 2018, the Group holds its shares of Daimashi at a carrying amount of RMB293,144,000.

Hanfang Yaoye

In prior year, the Group acquired 51% equity interest in Hanfang Yaoye Co., Ltd ("Hanfang Yaoye") for a consideration of RMB110 million.

The Group's economic interest in Hanfang Yaoye is limited to its rights over the land use rights held by Hanfang Yaoye, the disclosure of its interest in Hanfang Yaoye is limited to its share of the economic interest in the land use rights.

9 Other investments

	Group		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**
Current			
Available-for-sale financial asset – floating rate debt instrument	–	3,000	–
Debt investments - at fair value through profit or loss (FVTPL)	7,960	–	–
Debt investment - at amortised cost	3,300	–	–
Financial assets classified as held for trading – Quoted equity securities	–	3,520	2,320
Quoted equity investment - at FVTPL	819	–	–
	12,079	6,520	2,320

In 2018, debt investment classified at amortised cost have fixed interest rate of 2.8% per annum and mature within 3 months.

Debt investments at FVTPL have variable returns of 2.5% to 4.0% per annum.

On 1 March 2019, the Group recovered the proceeds (i.e. principal and investment returns) of the debt investments at amortised cost and a debt investment at FVTPL, with carrying amount of RMB9,846,000 upon the redemption of those instruments.

In 2017, the Group invested in a principal-guaranteed floating rate debt instrument with a financial institution amounting to RMB3,000,000 with a maturity date of less than one year and an expected effective interest rate of 2.6% per annum.

The Group's exposures to credit and market risks related to the other investments and fair value information related to other investments are disclosed in Note 37.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

10 Trade and other receivables

	Note	Group 31 Dec 2018 RMB'000	Group 31 Dec 2017 RMB'000	Group 1 Jan 2017 RMB'000	Company 31 Dec 2018 RMB'000	Company 31 Dec 2017 RMB'000	Company 1 Jan 2017 RMB'000
Non-current							
Amount due from non-controlling interests (non-trade)	11	99,160	99,160	99,160	–	–	–
Amount due from a joint venture partner (non-trade)	12	–	128,700	117,876	–	–	–
Club memberships	13	–	–	418	–	–	418
		99,160	227,860	217,454	–	–	418
Current							
Trade receivables		38,860	71,713	92,025	–	–	–
Impairment losses		(1,412)	(904)	–	–	–	–
	14	37,448	70,809	92,025	–	–	–
Amounts due from subsidiaries (non-trade)		–	–	–	204,121	180,953	21,329
Amount due from a joint venture partner (non-trade)	12	23,574	21,926	20,226	–	–	–
Other receivables and deposits		374,693	265,942	291,256	123	123	144
Impairment losses		(366)	(4,040)	(4,040)	–	–	–
	15	374,327	261,902	287,216	123	123	144
Staff loans		171	616	1,882	–	–	–
Trade and receivables, current		435,520	355,253	401,349	204,244	181,076	21,473
Prepaid VAT		83,284	31,550	16,031	–	–	–
Prepayments	16	259,199	319,318	168,150	–	–	–
		778,003	706,121	585,530	204,244	181,076	21,473
Total trade and other receivables		877,163	933,981	802,984	204,244	181,076	21,891

The staff loans and non-trade amount due from a joint venture are unsecured, interest-free, and are repayable on demand.

The non-trade amounts due from subsidiaries are unsecured and repayable on demand. This includes an amount totaling RMB10,249,000 (31 December 2017: RMB9,430,000; 1 January 2017: RMB9,845,000) which bears interest at three-month swap offer rate plus a margin of 3.5% (31 December 2017: 3.5%; 1 January 2017: 3.5%) per annum. The remaining balance is interest-free.

The Group's exposure to credit and currency risks for trade and other receivables are disclosed in Note 37.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

11 Amount due from non-controlling interests (non-trade)

The amount due from non-controlling interests represents purchase consideration paid by the Group on behalf of a non-controlling shareholder of a subsidiary, Henan Tiandao, in connection with the non-controlling shareholder's acquisition of 49% equity interest in the subsidiary.

The amount due from non-controlling interests is unsecured and interest free. It is expected to be settled by setting off the amount against future dividends, the portion attributable to the non-controlling interests, to be declared by Henan Tiandao.

12 Amounts due from a joint venture partner (non-trade)

The amounts due from joint venture partner represent an interest-bearing loan of RMB10,000,000, interest free loan of RMB6,000,000 and related interest charges accrued extended to a property development partner pursuant to the collaboration agreement entered between the Group and the joint venture partner to jointly develop the land use rights under Hanfang Yaoye.

The amounts due from the joint venture partner are secured and bear interest at rates ranging from 10% to 17% (31 December 2017: 10% to 17%; 1 January 2017: 10% to 17%) per annum. It was extended to the joint venture partner for development works to be incurred by the joint venture partner on a land parcel in the PRC which the Group and the joint venture partner agreed was to be transferred to Hanwei Zhiye Co., Ltd subsequently (see Note 8 for additional details).

In 2018, the loan amount of RMB128,700,000 has been repaid. The Group assessed that the remaining amount of RMB23,574,000 to be collectible.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

13 Club memberships

	Total RMB'000
Cost	
At 1 January 2017, 31 December 2017 and 1 January 2018	948
Written off	(948)
At 31 December 2018	–
Accumulated impairment loss	
At 1 January 2017	530
Impairment loss for the year	418
At 31 December 2017	948
At 1 January 2018	948
Written off	(948)
At 31 December 2018	–
Carrying amounts	
At 1 January 2017	418
At 31 December 2017 and 31 December 2018	–

The Group wrote down the carrying amount of club memberships to their estimated recoverable amounts which were estimated based on the market prices of the club memberships. In 2018, the amount was written off.

14 Trade receivables

Trade receivables of the Group are non-interest bearing and are normally settled between 30 and 180 days (31 December 2017: between 30 and 180 days; 1 January 2017: between 30 and 180 days).

The Group's exposure to credit risk related to trade receivables is disclosed in Note 37.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

15 Other receivables and deposits

	Group			Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances to contractors	7,239	1,014	47,728	–	–	–
Advance to a third party	–	56,540	56,540	–	–	–
Deposits paid for acquisition of property development projects	168,000	–	14,593	–	–	–
Other deposits	165,166	114,319	75,512	123	123	144
Other receivables	15,354	56,884	56,418	–	–	–
Interest receivables	12,379	28,855	27,850	–	–	–
Others	6,189	4,290	8,575	–	–	–
	374,327	261,902	287,216	123	123	144

Included in other receivables and deposits of the Group is allowance for impairment losses on other receivables of RMB366,000 (31 December 2017: RMB4,040,000; 1 January 2017: RMB4,040,000).

Advances to contractors

The advances to contractors are unsecured, interest-free, and are expected to be utilised against future purchase.

Advance to third party

The advance to third party relates to a deposit paid to Henan Mei Yuan Co., Ltd (河南梅园实业有限公司) to acquire land use rights. Interest is charged at 20% (31 December 2017: 20%; 1 January 2017: 20%) per annum up till 1 March 2017. The advance was extended to the third party to fund pre-development costs to be incurred on the land parcel before it is to be put up for sale to the Group. If the Group successfully bids for the land use rights, interest will be waived by the Group and the advance becomes part of the development costs on the land parcel. The Group was not successful in its bid for the land use rights and received the repayment of the advance and the related interests from Henan Mei Yuan Co., Ltd on 4 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

15 Other receivables and deposits (continued)

Deposits paid for acquisition of property development projects

The deposits paid for acquisition of property development projects as at 31 December 2018 of RMB18,000,000 relate to deposits paid to Henan Tianlong Transportation Equipment Co., Ltd. (河南天隆輸送裝備有限公司) as security deposit for the acquisition of Xinxiang Weirun Industrial Co., Ltd. (新鄉偉潤實業有限公司) and RMB150,000,000 relate to deposits paid to Shenzhen Huibang Holdings Co., Ltd. (深圳市薈邦控股有限公司) as security deposit for the acquisition of Huiyang Jinlida Property Management Co., Ltd. (惠陽金利達物業管理有限公司).

The deposits paid for acquisition of property development projects as at 1 January 2017 of RMB14,593,000 relate to deposits paid to Danzhou Zhongfang Property Development Co., Ltd (儋州中方房地產開發有限公司) to acquire the land use rights in Danzhou County Hainan Province, PRC.

Other deposits

Included in other deposits as at 31 December 2018 are:

(i) RMB91,610,000 (31 December 2017 and 1 January 2017: RMB Nil) paid to Zhengzhou City Tendering Bureau (鄭州市招標局) for the successful tender of a plot of land in Zhengzhou, PRC, at a tender price of RMB183,210,000. The remaining balance of the tender price of RMB91,600,000 will be due upon signing of the official land agreement with the relevant government authority. As of December 31, 2018, the official land agreement has not been signed.

(ii) RMB Nil (31 December 2017: RMB60,000,000; 1 January 2017: RMB60,000,000) paid to Wanning Land Resource Bureau (萬寧市國土資源局) for the successful tender of a plot of land in Xin Long, PRC, at a tender price of RMB180,000,000 in the past years. As of December 31, 2018, the official land agreement has been signed, and the deposit has been received.

(iii) RMB30,000,000 (31 December 2017: RMB30,000,000; 1 January 2017: RMB Nil) paid to Zhengzhou Land Resource Bureau (鄭州市國土資源局) for the participation of a land tender in Zhengzhou city. The deposit will be used to partially offset the purchase price of land awarded.

(iv) RMB20,000,000 (31 December 2017: RMB20,000,000; 1 January 2017: RMB Nil) paid to Zhengzhou Jinshui Science and Education Zone Management Committee (鄭州金水科教園區管理委員會) represents 5% of the construction sum that are retained by Zhengzhou Jinshui Science and Education Zone Management Committee and is refundable to the Group after the completion of the resettlement house project.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

16 Prepayments

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Construction costs and construction material costs	67,502	58,096	14,484
Pre-development costs and prepayments for land use rights	–	–	118,500
Prepayment for resettlement housing project	184,458	230,000	–
Others	7,239	31,222	35,166
	259,199	319,318	168,150

Construction costs and construction material costs

Included in construction costs and construction material costs is an amount of RMB67,502,000 (31 December 2017: RMB58,096,000; 1 January 2017: RMB14,484,000) for the purchase of construction materials which have not been delivered to the Group as at 31 December 2018.

Pre-development costs and prepayments for land use rights

In 2016, the Group incurred pre-development costs amounting to RMB27,000,000 which relate to costs incurred for all the necessary works undertaken by the Group in relation to the relocation of existing buildings erected on a plot of land and resettlement of the residents. These costs will be transferred to development properties upon receipt of the legal title to the land use rights on the land parcel.

In December 2016, the Group was granted new land use rights and prepaid an amount of RMB91,500,000. As the legal title to the land use rights have not been obtained by the Group as at 31 December 2016, this amount was classified as prepayments. In the current year, the legal title of the land use rights had been transferred to the Group.

Prepayment for resettlement housing project

Included in prepayment for resettlement housing project as at 31 December 2018 is an amount of RMB184,458,000 (31 December 2017: RMB230,000,000; 1 January 2017: RMB Nil) held in trust by a local government agency in relation to a resettlement housing project (see Note 23). The amount will be accrued in development properties progressively when the Group obtain lists of payment to villagers from the local government agency.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

17 Deferred taxation

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group			Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	305,518	255,801	143,481	761	761	750
	305,518	255,801	143,481	761	761	750

Tax losses carried forward

The Group's tax losses carried forward comprise tax losses arising from its operations in Singapore and the PRC. Under the applicable PRC tax legislation, tax losses as at 31 December 2018, 31 December 2017 and 1 January 2017 with expiry dates are as follows:

	Group			Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expiry dates:						
- Within 1 to 5 years	277,077	232,224	141,786	–	–	–

The remaining tax losses of RMB28,441,000 (31 December 2017: RMB23,577,000; 1 January 2017: RMB1,695,000) relating to tax losses arising from the Group's Singapore operations are not expected to expire under the current applicable tax legislation subject to continuity of shareholders.

Deferred tax assets have not been recognised in respect of these items because of the uncertainties over the availability of future taxable profits against which the subsidiaries can utilise the tax benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

17 Deferred taxation (continued)

Movements in temporary differences during the year are as follows:

	Balance as at 1 Jan 2017 RMB'000	Recognised in profit or loss (Note 30) RMB'000	Disposal of a subsidiary (Note 31) RMB'000	Balance as at 31 Dec 2017 RMB'000	Recognised in profit or loss (Note 30) RMB'000	Adjustment on initial of IFRS 9 (Note 39) RMB'000	Balance as at 31 Dec 2018 RMB'000
Group							
Deferred tax liabilities							
Property, plant and equipment	1,791	(45)	–	1,746	(832)	–	914
Investment properties	66,484	(2,278)	–	64,206	(444)	–	63,762
Development properties	–	2,072	–	2,072	(752)	–	1,320
Contract costs	–	2,505	–	2,505	6,660	–	9,165
Contract assets	77,916	(9,724)	–	68,192	(1,695)	(785)	65,712
Withholding tax on the profits of the Group's PRC subsidiaries	95,868	23,470	–	119,338	24,111	–	143,449
	242,059	16,000	–	258,059	27,048	(785)	284,322
Deferred tax assets							
Land appreciation tax	16,427	3,677	(12,439)	7,665	19,705	–	27,370
Accrued interest on financing component	–	–	–	–	2,119		2,119
Others	2,806	–	–	2,806	(2,806)	–	–
	19,233	3,677	(12,439)	10,471	19,018	–	29,489

18 Inventories

	Group		
	31 Dec 2018 RMB'000	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000
Finished goods	5,052	7,448	4,935
Work in progress	2,480	756	2,651
Raw materials	22,121	9,425	9,652
	29,653	17,629	17,238

During the current year, inventories of RMB34,750,000 (31 December 2017: RMB47,786,000) were recognised as an expense during the year and included in 'cost of sales'.

The Group recognized a net reversal of RMB20,000 from provision for stock obsolescence upon the sale of inventory items. Inventories have been reduced by RMB Nil (2017: RMB391,000) as a result of the write-down to net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

19 Development properties

	Group		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**
Properties under development:			
Land costs	1,611,568	760,041	832,972
Development costs incurred to-date	1,524,235	1,548,244	1,089,545
	3,135,803	2,308,285	1,922,517
Completed properties held for sale	217,517	337,863	623,176
	3,353,320	2,646,148	2,545,693

During the financial year, development properties sold and recognised in cost of sales amounted to RMB1,177,401,000 (2017: RMB1,472,390,000).

During the financial year, borrowing costs of RMB168,788,000 (31 December 2017: RMB184,766,000) arising from borrowings obtained specifically for the development properties were capitalised. Borrowing costs have been capitalised at rates ranging from 6.18% to 13% (2017: 5.23% to 17%) per annum.

Certain development properties with carrying amounts of RMB372,861,000 (31 December 2017: RMB710,498,000; 1 January 2017: RMB1,249,429,000) have been mortgaged to banks as securities for borrowings granted to the Group, the details of which are set out in Note 23.

20 Cash and cash equivalents

	Group			Company		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**	**31 Dec 2018**	**31 Dec 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Fixed deposits with financial institutions	234,952	198,660	300,573	879	–	–
Cash at bank and on hand	598,032	605,244	782,606	15,245	3,350	1,360
Cash and cash equivalents	832,984	803,904	1,083,179	16,124	3,350	1,360
Less: restricted cash	(300,732)	(146,146)	(287,350)	–	–	–
Less: bank overdraft	(3,099)	(3,706)	–	–	–	–
Total cash and cash equivalents in statement of cash flows	529,153	654,052	795,829	16,124	3,350	1,360

The Group's effective interest rate relating to fixed deposits with financial institutions, at the reporting date, is from 1.70% to 3.58% (31 December 2017: 3.58%; 1 January 2017: 3.31%) per annum.

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Year ended 31 December 2018

20 Cash and cash equivalents (continued)

Included in cash and cash equivalents are cash and bank balances of Group entities that are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

Certain subsidiaries are required to set aside approximately 5% of the customers' bank loan amounts as restricted cash. The restricted cash held in the designated bank accounts of the Group are pledged to the banks until the customers' building ownership certificate of the respective properties have been obtained and transferred to the banks. The restricted cash earns interest at floating rates based on the prevailing monthly bank deposit rates.

21 Share capital

	Company			
	2018		2017	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Fully paid ordinary shares, with no par value:				
At 1 January and 31 December	196,133	1,737,554	196,133	1,737,554

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. All shares rank equally with regard to the Company's residual assets.

At 31 December 2018, there were no share options issued by the Company.

22 Reserves

	Group			Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserves	119,063	98,826	91,000	–	–	–
Foreign currency translation reserve	(18,631)	(17,205)	(16,264)	6,407	6,899	6,915
Merger reserve	(59,669)	(59,669)	(59,669)	–	–	–
Capital reserve	(550)	(550)	(550)	–	–	–
Employee share option reserve	–	–	–	582	582	582
Retained earnings/ (accumulated losses)	1,086,774	942,976	827,126	(82,490)	(108,385)	(96,631)
	1,126,987	964,378	841,643	(75,501)	(100,904)	(89,134)

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22 Reserves (continued)

Statutory reserves

In accordance with the Foreign Enterprise Law applicable to entities in the PRC, the Company's PRC subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the profit after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the PRC entity's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the PRC entity. The SRF is not available for dividend distribution to shareholders.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Merger reserve

This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method.

Capital reserve

This represents the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid that is recognised directly in equity and attributed to the parent as a result of changes in the Company's ownership interest in a subsidiary. Such changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Employee share option reserve

This represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options in past years. The share option scheme had expired.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

23 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and liquidity risks, see Note 37.

		Group			Company		
	Note	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities							
Secured bank loans		468,958	233,737	786,702	–	–	–
Secured loans from trust finance company		1,146,060	879,658	752,000	–	–	–
Finance lease liabilities		244	54	130	–	–	–
Bank overdraft	20	3,099	3,706	–	–	–	–
Other secured loans		–	–	200,000	–	–	–
		1,618,361	1,117,155	1,738,832	–	–	–
Non-current liabilities							
Secured bank loans		419,815	878,188	1,345,088	226,815	185,366	–
Finance lease liabilities		381	137	–	–	–	–
		420,196	878,325	1,345,088	226,815	185,366	–
Total loans and borrowings		2,038,557	1,995,480	3,083,920	226,815	185,366	–
Carrying amount of loans and borrowings analysed between:							
- within one year		1,618,361	1,117,155	1,738,832	–	–	–
- more than one year but not exceeding two years		295,059	531,959	1,132,918	–	–	–
- more than two years but not exceeding five years		125,137	346,366	212,170	226,815	185,366	–
		2,038,557	1,995,480	3,083,920	226,815	185,366	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

23 Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	31 Dec 2018 Face value	31 Dec 2018 Carrying amount	31 Dec 2017 Face value	31 Dec 2017 Carrying amount	1 Jan 2017 Face value	1 Jan 2017 Carrying amount
		%		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group									
Secured bank loans	RMB	6.56 - 17.00	2017	–	–	–	–	1,369,656	1,369,656
Secured bank loans	RMB	5.25 - 10.22	2018	–	–	217,200	217,200	380,918	380,918
Secured bank loans	RMB	6.75 – 10.08	2019	367,631	367,631	546,822	546,822	212,170	212,170
Secured loans from a trust finance company	RMB	9.50 - 13.00	2019	1,146,060	1,146,060	879,658	879,658	752,000	752,000
Secured bank loans	RMB	9.00	2020	68,000	68,000	161,000	161,000	–	–
Secured bank loans	RMB	6.18	2021	225,000	225,000	–	–	–	–
Secured bank loans	MYR	3.76 – 5.35	2019	1,327	1,327	1,537	1,537	883	883
Secured bank loans	SGD	2.98	2017	–	–	–	–	168,163	168,163
Secured bank loans	SGD	SIBOR + 1.60	2020	226,815	226,815	185,366	185,366	–	-
Other secured loans	RMB	12.00 - 17.00	2017	–	–	–	–	200,000	200,000
Finance lease liabilities	MYR	3.30 - 3.50	2019 - 2022	659	625	206	191	135	130
Bank overdraft	MYR	MBLR* + 0.75%	N.A	3,099	3,099	3,706	3,706	–	–
Total interest-bearing liabilities				2,038,591	2,038,557	1,995,495	1,995,480	3,083,925	3,083,920
Company									
Secured bank loan	SGD	SIBOR + 1.60	2020	226,815	226,815	185,366	185,366	–	–

* *Malaysia base lending rate*

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

23 Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

The secured loans for the Group are served by a pledge of property, plant and equipment, investment properties and development properties of certain Group entities (see Notes 4, 6 and 19) and guarantees provided by third parties.

The secured loan of the Company is secured by a new standby letter of credit issued by a bank in China.

Secured loans from a trust finance company are used to fund a resettlement housing project performed for the local government. As at 31 December 2018, secured loan of RMB230,000,000 (31 December 2017: RMB230,000,000; 1 January 2017: RMB Nil) from the trust company was held by a local government agency who is responsible for the disbursement of the funds to the Group for the funding of works on the resettlement housing project (see Note 16).

Finance lease obligations

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Future minimum lease payments	Interest	Present value of payments	Future minimum lease payments	Interest	Present value of payments	Future minimum lease payments	Interest	Present value of payments
	31 Dec 2018	31 Dec 2018	31 Dec 2018	31 Dec 2017	31 Dec 2017	31 Dec 2017	1 Jan 2017	1 Jan 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group									
Within one year	252	8	244	58	4	54	135	5	130
After one year but within two years	407	26	381	148	11	137	–	–	–
	659	34	625	206	15	191	135	5	130

Finance lease terms do not contain restrictions on the subsidiaries' activities concerning dividends, additional debts or further finance leases.

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Year ended 31 December 2018

23 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Asset	Liabilities							Equity	
	Restricted cash RMB'000	Secured loans RMB'000	Finance lease liabilities RMB'000	Bank overdraft RMB'000	Contact liabilities RMB'000	Interest payable RMB'000	Other payables RMB'000	Amount due to non-controlling interest RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2017	(146,146)	1,991,583	191	3,706	1,171,553	2,234	–	184,119	200,628	3,407,868
Adjustment on initial application of IFRS9 (net of tax)	–	–	–	–	–	–	–	–	(135)	(135)
Balance at 1 January 2018	(146,146)	1,991,583	191	3,706	1,171,553	2,234	–	184,119	200,493	3,407,733
Changes from financing cash flows										
Increase in restricted cash	(154,586)	–	–	–	–	–	–	–	–	(154,586)
Repayment of finance leases obligations	–	–	(197)	–	–	–	–	–	–	(197)
Repayment of loans and borrowings	–	(689,600)	–	–	–	–	–	–	–	(689,600)
Proceeds of loans from third parties	–	–	–	–	–	–	37,000	–	–	37,000
Proceeds from loans and borrowings	–	732,850	–	–	–	–	–	–	–	732,850
Amount due to non-controlling interests (non-trade)	–	–	–	–	–	–	–	321,961	–	321,961
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	68,000	68,000
Interest paid	–	–	–	–	–	(192,620)	–	–	–	(192,620)
Total changes from financing cash flows	(154,586)	43,250	(197)	–	–	(192,620)	37,000	321,961	68,000	122,808
The effect of change in foreign exchange rates	–	–	(46)	–	–	–	–	–	–	(46)
Liability-related other changes										
Decrease in bank overdraft	–	–	–	(607)	–	–	–	–	–	(607)
New finance leases	–	–	677	–	–	–	–	–	–	677
Finance costs capitalised in development properties	–	–	–	–	–	168,788	–	–	–	168,788
Finance expenses	–	–	–	–	8,477	23,832	–	–	–	32,309
Changes from operating activities	–	–	–	–	(162,894)	–	–	–	–	(162,894)
Total liability-related other changes	–	–	677	(607)	(154,417)	192,620	–	–	–	38,273
Total equity-related other changes	–	–	–	–	–	–	–	–	(6,047)	(6,047)
Balance at 31 December 2018	(300,732)	2,034,833	625	3,099	1,017,136	2,234	37,000	506,080	262,446	3,562,721

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

23 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Asset	Liabilities						Equity	
	Restricted cash RMB'000	Secured loans RMB'000	Finance lease liabilities RMB'000	Bank overdraft RMB'000	Interest payable RMB'000	Other secured loans RMB'000	Amount due to non-controlling interest RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	(287,350)	2,883,790	130	–	2,233	200,000	–	177,822	2,976,625
Changes from financing cash flows									
Decrease in restricted cash	141,204	–	–	–	–	–	–	–	141,204
Repayment of finance lease obligations	–	–	(131)	–	–	–	–	–	(131)
Repayment of loans and borrowings	–	(2,358,805)	–	–	–	(200,000)	–	–	(2,558,805)
Proceeds from loans and borrowings	–	1,464,023	–	–	–	–	–	–	1,464,023
Amount due to non-controlling interests (non-trade)	–	–	–	–	–	–	184,119	–	184,119
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	12,000	12,000
Interest paid	–	–	–	–	(222,270)	–	–	–	(222,270)
Total changes from financing cash flows	141,204	(894,782)	(131)	–	(222,270)	(200,000)	184,119	12,000	(979,860)
The effect of change in foreign exchange rates	–	2,575	–	–	–	–	–	–	2,575
Liability-related other changes									
Increase in bank overdraft	–	–	–	3,706	–	–	–	–	3,706
New finance leases	–	–	192	–	–	–	–	–	192
Finance costs capitalised in development properties	–	–	–	–	184,766	–	–	–	184,766
Finance expenses	–	–	–	–	37,505	–	–	–	37,505
Total liability-related other changes	–	–	192	3,706	222,271	–	–	–	226,169
Total equity-related other changes	–	–	–	–	–	–	–	10,806	10,806
Balance at 31 December 2017	(146,146)	1,991,583	191	3,706	2,234	–	184,119	200,628	2,236,315

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Year ended 31 December 2018

24 Trade and other payables

	Group			Company		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	539,821	476,575	383,201	–	–	–
Amounts due to:						
- subsidiaries (non-trade)	–	–	–	–	30,832	43,355
- a joint venture (non-trade)	309,393	282,980	281,000	–	–	–
- non-controlling interests (non-trade)	506,080	184,119	–	–	–	–
Accrued operating expenses	10,812	4,943	9,612	1,503	1,553	1,456
Interest payables	2,234	2,234	2,233	–	–	–
Retention deposits payable to contractors	31,700	23,012	23,836	–	–	–
Other payables	187,585	160,899	100,520	–	–	–
	1,587,625	1,134,762	800,402	1,503	32,385	44,811

The Group's and the Company's exposure to currency and liquidity risk related to trade and other payables are disclosed in Note 37.

The non-trade amounts due to non-controlling interests of RMB438,728,000 (2017: RMB Nil) are unsecured, repayable on demand and bear interest at 4.75% based on People's Bank of China loan benchmark interest rate. The remaining non-trade amounts due to a joint venture and a non-controlling interest of RMB376,745,000 (2017: RMB467,099,000) are unsecured, interest-free and repayable on demand.

In 2018, included in other payables are amounts of RMB37,000,000 due to third parties which bear fixed interests ranging from 7.2% to 9.72% per annum. The amount due to third parties are secured and repayable on demand.

In 2017, the non-trade amounts due to subsidiaries are unsecured, interest-free, and repayable on demand.

Ageing profile

The ageing profile of trade payables of the Group at the reporting date, based on invoice date, is as follows:

	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Not past due	443,648	433,811	348,795
Past due 1 – 30 days	2,054	2,103	1,337
Past due 31 – 60 days	522	5,524	657
Past due 61 – 90 days	70,159	103	419
Past due more than 90 days	23,438	35,034	31,993
	539,821	476,575	383,201

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

24 Trade and other payables (continued)

Retention deposits payable to contractors

The retention deposits payable to contractors represents 5% of the construction sum that are retained by the Group and are payable to the contractors in one year after the completion of the development projects.

25 Non-controlling interests

The following summarises the financial information the Group's subsidiary with material non-controlling interests ("NCI"), based on the subsidiary's financial statements prepared in accordance with IFRS.

		Henan Tiandao	
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**
Percentage of ownership of NCI	49%	49%	49%
Revenue	78,783	119,709	
Profit for the year	12,806	28,647	
Other comprehensive income	–	–	
Total comprehensive income	12,806	28,647	
Attributable to NCI:			
- Profit for the year	6,275	14,037	
- Other comprehensive income	–	–	
- Total comprehensive income	6,275	14,037	
Non-current assets	44,088	17,042	15,883
Current assets	428,642	479,609	584,248
Non-current liabilities	(478)	(1,990)	–
Current liabilities	(118,144)	(153,083)	(287,198)
Net assets	354,108	341,578	312,933
Net assets attributable to NCI	173,513	167,373	153,336
Cash flows (used in)/from operating activities	(12,458)	83,619	
Cash flows used in investing activities	(9)	(26)	
Cash flows from/(used in) financing activities (dividends to NCI: 2018: Nil ; 2017: Nil)	13,951	(100,800)	
Net increase/(decrease) in cash and cash equivalents	1,484	(17,207)	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

25 Non-controlling interests (continued)

	Eindec Corporation Limited		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**
Percentage of ownership of NCI	33.2%	33.2%	33.2%
Revenue	51,356	69,116	
Loss for the year	(12,408)	(8,781)	
Other comprehensive income	–	–	
Total comprehensive loss	(12,408)	(8,781)	
Attributable to NCI:			
- Loss for the year	(4,119)	(2,915)	
- Other comprehensive income	–	–	
- Total comprehensive loss	(4,119)	(2,915)	
Non-current assets	27,687	24,707	24,284
Current assets	66,002	73,834	81,016
Non-current liabilities	(1,295)	(883)	(860)
Current liabilities	(39,828)	(32,685)	(30,687)
Net assets	52,566	64,973	73,753
Net assets attributable to NCI	17,452	21,571	24,486
Cash flows from/(used in) operating activities	9,088	(8,717)	
Cash flows used in investing activities	(14,017)	(1,273)	
Cash flows used in financing activities (dividends to NCI: 2018: Nil ; 2017: Nil)	(958)	(692)	
Net decrease in cash and cash equivalents	(5,887)	(10,682)	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

25 Non-controlling interests (continued)

	Huzhou Ganghong	
	31 Dec 2018	**31 Dec 2017**
	RMB'000	**RMB'000**
Percentage of ownership of NCI	60%	60%
Revenue	–	–
Loss for the year	(12,829)	(527)
Other comprehensive income	–	–
Total comprehensive loss	(12,829)	(527)
Attributable to NCI:		
- Loss for the year	(7,697)	(316)
- Other comprehensive income	–	–
- Total comprehensive loss	(7,697)	(316)
Non-current assets	880	36
Current assets	547,996	327,442
Non-current liabilities	–	–
Current liabilities	(542,232)	(308,005)
Net assets	6,644	19,473
Net assets attributable to NCI	3,986	11,684
Cash flows used in operating activities	(138,409)	(317,721)
Cash flows used in investing activities	(1,098)	(36)
Cash flows from financing activities (dividends to NCI: 2018: Nil ; 2017: Nil)	146,633	327,957
Net increase in cash and cash equivalents	7,126	10,200

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Year ended 31 December 2018

25 Non-controlling interests (continued)

	Shenzhen Pangu 31 Dec 2018 RMB'000
Percentage of ownership of NCI	40%
Revenue	–
Loss for the year	(1)
Other comprehensive income	–
Total comprehensive loss	(1)
Attributable to NCI:	
- Loss for the year	–*
- Other comprehensive income	–
- Total comprehensive loss	–*
Non-current assets	–
Current assets	490
Non-current liabilities	–
Current liabilities	(491)
Net assets	(1)
Net assets attributable to NCI	–*
Cash flows used in investing activities	(30,000)
Cash flows from financing activities (dividends to NCI: Nil)	30,490
Net increase in cash and cash equivalents	490

* *Less than RMB1,000*

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

25 Non-controlling interests (continued)

	Fujian Tianzhi 31 Dec 2018 RMB'000
Percentage of ownership of NCI	40%
Revenue	–
Loss for the year	(41)
Other comprehensive income	–
Total comprehensive loss	(41)
Attributable to NCI:	
- Loss for the year	(16)
- Other comprehensive income	–
- Total comprehensive loss	(16)
Non-current assets	–
Current assets	15,155
Non-current liabilities	–
Current liabilities	(196)
Net assets	14,959
Net assets attributable to NCI	5,984
Cash flows used in operating activities	(11,695)
Cash flows generated from financing activities (dividends to NCI: Nil)	15,000
Net increase in cash and cash equivalents	3,305

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

25 Non-controlling interests (continued)

	Fujian Tianjiao 31 Dec 2018 RMB'000
Percentage of ownership of NCI	40%
Revenue	–
Loss for the year	(52)
Other comprehensive income	–
Total comprehensive loss	(52)
Attributable to NCI:	
- Loss for the year	(21)
- Other comprehensive income	–
- Total comprehensive loss	(21)
Non-current assets	–
Current assets	14,961
Non-current liabilities	–
Current liabilities	(13)
Net assets	14,948
Net assets attributable to NCI	5,979
Cash flows used in operating activities	(11,170)
Cash flows generated from financing activities (dividends to NCI: Nil)	15,000
Net increase in cash and cash equivalents	3,830

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

25 Non-controlling interests (continued)

	Yizheng Hongrui 31 Dec 2018 RMB'000
Percentage of ownership of NCI	70%
Revenue	–
Loss for the year	(265)
Other comprehensive income	–
Total comprehensive loss	(265)
Attributable to NCI:	
- Loss for the year	(186)
- Other comprehensive income	–
- Total comprehensive loss	(186)
Non-current assets	18
Current assets	361,665
Non-current liabilities	–
Current liabilities	(321,948)
Net assets	39,735
Net assets attributable to NCI	27,815
Cash flows used in operating activities	(257,093)
Cash flows used in investing activities	(18)
Cash flows generated from financing activities (dividends to NCI: Nil)	263,774
Net increase in cash and cash equivalents	6,663

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

25 Non-controlling interests (continued)

	Yizheng Honglin 31 Dec 2018 RMB'000
Percentage of ownership of NCI	70%
Revenue	–
Loss for the year	(404)
Other comprehensive income	–
Total comprehensive loss	(404)
Attributable to NCI:	
- Loss for the year	(283)
- Other comprehensive income	–
- Total comprehensive loss	(283)
Non-current assets	–
Current assets	348,359
Non-current liabilities	–
Current liabilities	(308,763)
Net assets	39,596
Net assets attributable to NCI	27,717
Cash flows used in operating activities	(251,073)
Cash flows generated from financing activities (dividends to NCI: Nil)	254,954
Net increase in cash and cash equivalents	3,881

The total net assets attributable to NCI of RMB262,446,000 (31 December 2017: RMB200,628,000; 1 January 2017: RMB177,822,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 Revenue

	Group	
	2018	2017
	RMB'000	RMB'000
Sales of development properties	1,726,653	1,678,926
Sales of goods and installation services	51,356	69,116
	1,778,009	1,748,042

The following table provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Property development segment

Nature of development properties	The Group develops residential and commercial properties for sale to end customers in the PRC.
When revenue is recognised	Revenue is recognised at a point in time being when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property (i.e. when control of the property has been transferred to the customer). The transfer of control is typically evidenced at the earlier of: (i) the transfer of legal title or (ii) equitable interest in the property transfers to the buyer upon signing the property handover notice. Deposits, instalments or advances received on properties sold prior to the date of revenue recognition are included in the statement of financial position under 'Contract liabilities'.
Significant payment terms	Payment is typically made in advance. In certain instances, payment is agreed based on an instalment schedule at the point of sale.
Obligations for warranties	The Group does not provide any form of warranty to end customers.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 Revenue (continued)

Equipment manufacturing segment

Nature of goods or services	The Group manufactures clean air environmental technology solutions equipment and clean room equipment based on the customer's specification. There is no significant customisation of the clean room equipment. In addition, the Group also installs certain equipment for their customers at the delivery of the equipment.
When revenue is recognised	For sales of goods, revenue is recognised at a point in time when goods are delivered to the customer and criteria for acceptance have been satisfied. For installation service, revenue is recognised at the completion of the installation service. The installation service is typically completed shortly after delivery of goods. The lead time between the delivery of goods and installation of the delivered goods is insignificant.
Significant payment terms	Invoices are issued upon delivery of goods or the completion of service and are payable within 30-60 days. In cases where, the Group received cash paid in advance of goods delivered and to the extent that they remain undelivered at balance sheet date, the Group defers recognition of revenue and recognise such amounts in the statement of financial position as 'Contract liabilities'.
Obligations for warranties	In certain cases, sales of equipment includes a standard warranty of one year, under which customers are able to return and replace any defective products. The standard warranty is consistent with market practice. There is no right to return the goods. There are no variable considerations such as volume discounts or sales rebates provided to customers.

26 Revenue (continued)

Disaggregation of revenue from contracts with customer

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment (see Note 36).

	Reportable segment					
	Property development		Equipment manufacturing		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Primary geographical markets						
PRC	1,726,653	1,678,926	6,073	15,045	1,732,726	1,693,971
Singapore	–	–	32,901	36,796	32,901	36,796
Others	–	–	12,382	17,275	12,382	17,275
	1,726,653	1,678,926	51,356	69,116	1,778,009	1,748,042
Major products/service line						
Sales of development properties	1,726,653	1,678,926	–	–	1,726,653	1,678,926
Sales of goods and installation services	–	–	51,356	69,116	51,356	69,116
	1,726,653	1,678,926	51,356	69,116	1,778,009	1,748,042
Timing of revenue recognition						
At a point in time	1,726,653	1,678,926	51,356	69,116	1,778,009	1,748,042

Contract balances

The following table provides information about trade receivables, contract cost, contract assets and contract liabilities from contracts with customers.

		Group		
	Note	31 Dec 2018 RMB'000	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000
Trade receivable	14	37,448	70,809	92,025
Contract costs		39,357	10,020	–
Contract assets		766,825	774,136	873,476
Contract liabilities		(1,017,136)	(1,171,553)	(494,684)

The Group has applied the practical expedient and recognised the incremental costs of obtaining contacts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date.

Contract liabilities primarily relate to advances from customer for sales of development properties and sales of equipment before the criteria for revenue recognition have been met.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26 Revenue (continued)

Contract balances (continued)

Success-based sales commissions

The Group pays sales commissions to property sales agents for securing property sales contracts for the Group on a success basis. Upon adoption of IFRS 15, the Group capitalises these incremental costs as contract costs.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows.

	Contract assets		Contract liabilities	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	995,813	376,860
Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	(828,540)	(1,053,729)
Accrued interest on financing component	–	–	(12,856)	–
Reclassification to trade receivables	3,566	(99,340)	–	–
Impairment loss on contract assets	(3,745)	–	–	–

Judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of engineering department and to determine the progress of the revenue contract and also on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligation if the performance obligation is part of a contract that has an original expected duration of one year or less.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

27 Other income

	Note	Group 2018 RMB'000	Group 2017 RMB'000
Gain on disposal of a subsidiary	31	–	29
Gain on disposal of property, plant and equipment		35	1,273
Gain on disposal of other investments		22	32
Government grants		–	600
Net change in fair value on other investments		(2,701)	(698)
Net gain on disposal of right to sell development property units	(a)	–	60,020
Compensation income	(b)	69,526	2,531
Rental income		4,418	3,220
Others		6,387	4,630
		77,687	71,637

(a) In prior year, the Group and its joint venture partner entered into an agreement to dispose of the Group's rights in relation to the remaining unsold property units to an independent third party. Subsequent to the disposal, the Group relinquished their rights to the future sales of the remaining unsold property units by independent third party to end customers in the future. Under the terms of the agreement, the independent third party does not have the rights to return any unsold property units to the Group in the future. As at 31 December 2017, the Group had received full consideration from the independent third party for the rights. The net gain on disposal of the rights to sell development property units of RMB60,000,000 is computed based on the disposal consideration for the rights, net of the Group's obligations in relation to the development costs of the development property.

(b) Included in the compensation income was RMB68,432,000 arising from the settlement agreement between the Group and a business partner, Henan Meiyuan Co., Ltd., to settle the advances, previously extended by the Group for the acquisition of land use rights, and the associated interest and compensation charges. The compensation income represents the settlement sum in excess of the advances previously extended and associated interests (see Note 15 for additional information).

28 Net finance (costs)/income

	Group 2018 RMB'000	Group 2017 RMB'000
Interest income	14,351	43,720
Interest expenses	(199,232)	(217,631)
Others	(1,865)	(4,640)
Finance expenses, net	(186,746)	(178,551)
Finance costs capitalised in development properties	168,788	184,766
Net finance (costs)/income recognised in profit or loss	(17,958)	6,215

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

29 Profit before tax

The following items have been charged/(credited) in arriving at profit before tax:

	Note	Group 2018 RMB'000	Group 2017 RMB'000
Audit fees paid/payable to:			
- auditors of the Company		1,466	1,223
- other member firms of KPMG International		2,405	1,527
Non-audit fees paid/payable to:			
- auditors of the Company		23	236
- other member firms of KPMG International		188	19
Amortisation of intangible assets	5	763	1,376
Impairment loss on intangible assets	5	3,543	–
Impairment loss on club membership	13	–	418
Allowance for impairment loss (reversed)/ made on trade and other receivables		(4,153)	904
Impairment loss on contract assets		1,469	–
Depreciation of property, plant and equipment	4	5,896	5,428
Loss on disposal of investment properties		331	203
Change in fair value of investment properties	6	–	6,146
Raw materials, changes in finished goods and work-in-progress recognised	18	34,750	47,786
Operating lease expenses	33(b)	1,661	1,911
Property, plant and equipment written off		113	9
Write down of inventories	18	1,748	1,096

	Group 2018 RMB'000	Group 2017 RMB'000
Employee benefits expense		
Directors' fees	1,065	956
Salaries, bonuses and other costs	60,451	64,607
PRC statutory welfare fund	177	1,630
Contributions to defined contribution plan	12,243	10,740
	73,936	77,933

29 Profit before tax (continued)

Directors' remuneration

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2018					
Chairman					
Zhang Wei	–	2,758	–	132	2,890
Executive director					
Chen Zhiyong	–	1,091	–	122	1,213
Independent non-executive directors					
Dong Xincheng*	226	–	–	–	226
Ong Kian Guan**	289	–	–	–	289
Siu Man Ho Simon**	285	–	–	–	285
Oh Eng Bin**	265				265
Lam YingHung Andy^	7	–	–	–	7
Liu Ning#	9	–	–	–	9
	1,081	3,849	–	254	5,184
2017					
Chairman					
Zhang Wei	–	2,595	–	125	2,720
Executive director					
Chen Zhiyong	–	1,098	–	115	1,213
Non-executive director					
Dong Xincheng*	196	–	–	–	196
Independent non-executive directors					
Ong Kian Guan**	270	–	–	–	270
Siu Man Ho Simon**	245	–	–	–	245
Oh Eng Bin**	245	–	–	–	245
	956	3,693	–	240	4,889

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

29 Profit before tax (continued)

Directors' remuneration (continued)

* Mr. Dong Xincheng has been re-designated as independent non-executive director with effect from 19 December 2018.

** Mr. Ong Kian Guan, Mr Siu Man Ho Simon and Mr. Oh Eng Bin have resigned from the Board from 19 December 2018.

^ Mr. Lam Ying Hung Andy has been appointed as independent non-executive director with effect from 19 December 2018.

Mr. Liu Ning has been appointed as lead independent non-executive director with effect from 19 December 2018.

No directors of the Company waived or agreed to waive any remuneration during the current and previous financial years. During the current and previous financial years, there were also no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out below as an inducement to join or upon joining the Group or as compensation for loss of office.

Individuals with highest emoluments

Of the five (2017: five) individuals with the highest emoluments, there are two directors of the Group for the years ended 31 December 2018 and 2017, whose emoluments are reflected in the analysis presented above. The aggregate of the emoluments paid and/or payable to the remaining three (2017: three) individuals are as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Salaries and other emoluments	4,227	4,604
Retirement scheme contributions	234	410
	4,461	5,014

An analysis of the emoluments of remaining individuals with the highest emoluments are within the following bands:

	Group	
	2018	**2017**
	Number of employees	**Number of employees**
HKD1,000,001 – HKD1,500,000	–	1
HKD1,500,001 – HKD2,000,000	3	1
HKD2,000,001 – HKD2,500,000	–	1
	3	3

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

30 Income tax expense

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Current tax expense		
Current year income tax	122,057	59,340
Overprovision of income tax in respect of prior years	(206)	(99)
	121,851	59,241
Deferred tax expense		
Origination and reversal of temporary differences	(16,081)	(11,147)
Withholding tax on the profits of the Group's PRC subsidiaries	24,111	23,470
	8,030	12,323
Land appreciation tax expense		
Land appreciation tax	108,304	22,501
Total tax expense	238,185	94,065
Reconciliation of effective tax rate		
Profit before tax	398,516	228,547
Tax using PRC tax rate of 25% (2017: 25%)	99,629	57,137
Tax effects of:		
- difference in tax rate in different jurisdictions	2,746	3,537
- application of different tax basis	(482)	2,072
- result of joint venture presented net of tax	–	(28,616)
- expenses not deductible for tax purposes	5,149	5,646
- deferred tax asset not recognised	33,634	29,153
- withholding tax at 10% on the profits of the Group's PRC subsidiaries	24,111	23,470
- overprovision of income tax in respect of prior years	(206)	(99)
- income not subject to tax	(10,571)	(15,053)
- land appreciation tax	108,304	22,501
- effect of tax deduction for land appreciation tax	(27,076)	(5,625)
- others	2,947	(58)
	238,185	94,065

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

30 Income tax expense (continued)

Singapore and PRC income tax liabilities are calculated at the applicable rates in accordance with the relevant tax laws and regulations in Singapore and the PRC.

Pursuant to a PRC Enterprise Income Tax Law promulgated on 16 March 2007, the enterprise income tax for both domestic and foreign-invested enterprises have been unified at 25% effective from 1 January 2008.

According to the Implementation Rules of the Corporate Income tax Law of PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

Certain subsidiaries within the Group are paying corporate income tax on a deemed tax basis as agreed with the local tax authorities. The tax obligations are determined by applying the corporate income tax rate on the deemed profit generated. The deemed profit generated is calculated based on a deemed profit rate on the revenue generated by the subsidiaries.

Land appreciation tax ("LAT") is levied on properties in the PRC developed for sale by the Group at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds from the sale of properties less deductible expenditures which include lease charges of land use rights, borrowing costs and all property development expenditures. 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 some of 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 difference realises.

31 Disposal of subsidiary

On 21 April 2017, the Group via Henan Weiye Construction Development Group Co., Ltd, a wholly-owned subsidiary of the Group, disposed of its equity interest in Henan Huibang Property Co., Ltd for a consideration of RMB26.1 million to an independent third party.

31 Disposal of subsidiary (continued)

The effect of the disposal of the subsidiary on the cash flow of the Group was as follows:

	Note	Carrying amount RMB'000
Property, plant and equipment		31
Deferred tax assets	17	12,439
Development properties		5,815
Trade and other receivables		6,211
Cash and cash equivalents		101,716
Trade and other payables		(14,400)
Provision for taxation		(85,740)
		26,072
Gain on disposal of subsidiary	27	29
Disposal consideration received in cash		26,101
Cash and cash equivalents disposed of		(101,716)
Net cash flow		(75,615)

32 Earnings per share

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share ("EPS") for the years ended 31 December:

	Group	
	2018	2017
Earnings per share is based on		
Profit for the year attributable to owners of the Company (RMB'000)	166,378	123,676
Weighted average number of ordinary shares ('000)	196,133	196,133
Basic and diluted earnings per share (RMB cents)	84.83	63.06

Basic EPS is calculated on the Group's profit for the financial year attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

Diluted EPS is calculated on the same basis as basic EPS as the Group did not issue dilutive instruments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

33 Commitments

(a) Capital commitments

Capital commitments contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Development expenditures authorised and contracted for	621,610	811,290	540,331

(b) Operating lease commitments – as lessee

The Group entered into various lease agreements for office premises and employees' accommodation. These leases have remaining non-cancellable lease terms of between 1 to 20 years (2017: between 1 to 20 years). Minimum lease payments recognised as an expense in profit or loss for the financial year amounted to RMB1,661,000 (2017: RMB1,911,000).

Future minimum rental payable under non-cancellable operating leases (excluding land use rights) at the end of the reporting period are as follows:

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Not later than one year	4,899	1,561	1,620
Later than one year but not later than five years	3,481	4,820	1,543
	8,380	6,381	3,163

(c) Operating lease commitments – as lessor

The Group leases out its investment property (see Note 27). The future minimum lease payments under non-cancellable leases were receivable as follows:

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Not later than one year	4,016	3,823	3,312
Later than one year but not later than five years	10,245	11,542	7,253
More than five years	5,623	8,102	3,339
	19,884	23,467	13,904

During 2018, investment property rentals of RMB4,418,000 (2017: RMB3,220,000) were included in 'other income'.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

34 Contingent liabilities

At the respective reporting dates, the contingent liabilities of the Group were as follows:

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000
Guarantees granted to financial institutions on behalf of purchasers of property units	1,868,212	997,325	1,161,827

The Group arranges with various domestic banks in the PRC to provide loan and mortgage facilities to purchasers of its properties prior to the transfer of land title deeds. In line with the consumer banking practices in the PRC, these banks require the Group to provide guarantees in respect of these loans including the principal, interest and other incidental costs. The Group is required to maintain certain amounts of cash in designated bank accounts which are pledged to the banks (see Note 20). If a purchaser defaults on a loan, the relevant mortgagee bank is entitled to deduct the amount repayable from the restricted cash account.

These guarantees provided by the Group to the banks would be released by the banks upon the receipt of the building ownership certificate of the respective properties by the bank from the customers when it is issued by the relevant authorities.

In the opinion of the directors, the probability of an outflow of economic benefits arising from the outstanding financial guarantees is low. The directors assessed that the probability of default by the purchasers of the property unit is remote.

35 Related parties

Key management personnel compensation comprises:

	Group	
	2018	2017
	RMB'000	RMB'000
Directors' fees paid to directors of the Company	1,081	956
Salaries paid to key management personnel	5,233	5,075
PRC statutory welfare fund	105	130
Contributions to defined contribution plans	228	364
	6,647	6,525

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

35 Related parties (continued)

	Group	
	2018	2017
	RMB'000	RMB'000
Comprises amounts paid/payable to:		
- directors of the Company	5,184	4,889
- other key management personnel	1,463	1,636
	6,647	6,525

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the year on terms agreed between the parties:

Sale and purchase of goods and services

A number of key management personnel, or their related parties, hold positions and/or interests in other entities that result in them having control or significant influence over the financial or operating decisions of those entities.

The Group transacted with these entities in prior years. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably to be available, or similar to third party entities and were on an arm's length basis.

Lease of offices from the directors and/or their associates

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Lease of offices from the directors and/or associates	–	28	–	–

Henan Weiye Construction Development Group Co., Ltd. ("Henan Weiye") leases office space at Ru Guo Ai (如果●爱) from Zhang Jianwei and his associates. Details of the leases are set out as follows:

– Henan Weiye entered into a lease agreement with Zhang Lihong dated 1 January 2015 to lease a property unit covering an area of approximately 177.7 square metres for 1 year commencing from 1 January 2015 at a monthly rate of RMB38.2 per square metre. The lease agreement was renewed for an additional 12 months commencing from 1 January 2016 and ended on 31 December 2016 at the same rental rate.

On 31 December 2014, Jinwei (Henan) Trading Company ("Jinwei (Henan)") entered into the following lease agreements for leasing of office premises with Zhang Jianwei and his associates.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

35 Related parties (continued)

Lease of offices from the directors and/or their associates (continued)

– Jinwei (Henan) entered into a lease agreement with Zhang Jianwei to lease a property unit covering an area of approximately 265.9 square metres for 1 year commencing from 6 January 2015 at a monthly rate of RMB38.3 per square metre. The lease agreement was renewed for an additional 12 months commencing from 7 January 2016 and ended on 6 January 2017 at the same rental rate.

– Jinwei (Henan) entered into a lease agreement with Zhang Peihong to lease a property unit covering an area of approximately 219.6 square metres for 1 year commencing from 6 January 2015 at a monthly rate of RMB38.3 per square metre. The lease agreement was renewed for an additional 12 months commencing from 7 January 2016 and ended on 6 January 2017 at the same rental rate.

– Jinwei (Henan) entered into a lease agreement with Yang Kai to lease a property unit covering an area of approximately 255.9 square metres for 1 year commencing from 6 January 2015 at a monthly rate of RMB38.3 per square metre. The lease agreement was renewed for an additional 12 months commencing from 7 January 2016 and ended on 6 January 2017 at the same rental rate.

36 Business and geographical segments

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

I. Property development

Property development includes the development and sales of both commercial and residential property units, construction of resettlement houses in the PRC and the leasing of investment properties to generate rental income and to derive capital gains from the investment properties in the long term.

II. Clean room equipment, heating, ventilation and air-conditioning products, and air purifiers ("Equipment manufacturing")

A clean room provides an environment where the humidity, temperature and particles in the air are precisely controlled. Clean room equipment includes fan filter units, air showers, clean booths, pass boxes, clean hand dryers and clean benches, amongst others. Heat ventilation and air-conditioning products are essentially deflection grilles and air diffusers installed to channel and regulate the airflow into the environment within the building to ensure an even distribution of air within the confined space. Air purifiers (also referred to as air cleaners) are electrical devices that remove solid and gaseous pollutants from the air such as formaldehyde and PM2.5 which may pose adverse health risks that include breathing difficulties, asthma and allergies. Through the function of air filters or sterilising systems built into each air purifier, the concentration of dust, contaminants, fine particles and volatile organic compounds in the air are reduced to the benefit of individuals within the immediate vicinity.

The Group's Executive Chairman (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

36 Business and geographical segments (continued)

Reconciliations of reportable revenues, profit or loss, assets and liabilities

	Property development		Equipment manufacturing		Total	
	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue:						
External customers	1,726,653	1,678,926	51,356	69,116	1,778,009	1,748,042
Inter-segment revenue	–	–	477	–	477	–
Segments results from operating activities	441,029	125,583	(24,555)	(17,713)	416,474	107,870
Interest income	14,031	43,307	320	413	14,351	43,720
Finance costs	(24,365)	(34,168)	(7,944)	(3,337)	(32,309)	(37,505)
Reportable segment profit before income tax					398,516	114,085
Income tax expense					(238,185)	(94,065)
Share of profit of joint ventures (net of tax)					–	114,462
Non-controlling interests					6,047	(10,806)
Profit attributable to owners of the Company					166,378	123,676
Reportable segment assets	6,819,560	6,172,749	104,318	106,600	6,923,878	6,279,349
Reportable segment liabilities	3,108,862	2,728,402	27,326	30,761	3,136,188	2,759,163
Loans and borrowings	1,806,691	1,804,680	231,866	190,800	2,038,557	1,995,480
Total liabilities					5,174,745	4,754,643
Other segment information						
Capital expenditure	3,759	2,240	2,611	4,524	6,370	6,764
Impairment loss on trade and other receivables (excluding prepayments) and contract assets	(2,772)	589	88	315	(2,684)	904
Depreciation of property, plant and equipment	3,822	3,610	2,074	1,818	5,896	5,428
Impairment loss on intangible assets	–	–	3,543	–	3,543	–
Amortisation of intangible assets	171	126	592	1,250	763	1,376

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

36 Business and geographical segments (continued)

Geographical segment

The Group's geographical segments are based on the location of the Group's assets. Revenue to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table presents revenue, capital expenditure and certain non-current assets information regarding the Group's geographical segments as at and for the years ended 31 December 2018 and 2017.

	PRC RMB'000	Singapore RMB'000	Other countries RMB'000	Total RMB'000
31 December 2018				
Revenue	1,732,726	32,901	12,382	1,778,009
Non-current assets*	903,539	2,747	19,128	925,414
31 December 2017				
Revenue	1,693,971	36,796	17,275	1,748,042
Non-current assets*	915,015	2,483	17,951	935,449

* Excludes trade and other receivables and deferred tax assets.

37 Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Risk management framework (continued)

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables from customers and investments.

The carrying amount of financial assets and contract assets represent the Group's and the Company's maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Allowance for impairment loss (reversed)/made on:		
Trade receivables	8	904
Other receivables	(4,161)	–
Contract assets arising from contract with customers	1,469	–

Trade receivables and contract assets

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is kept to the minimal.

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Credit risk (continued)

At 31 December 2018, the Group held an amount due from its non-controlling interests of RMB99,160,000 (31 December 2017: RMB99,160,000; 1 January 2017: RMB99,160,000) and an amount due from a joint venture partner of RMB23,574,000 (31 December 2017: RMB150,626,000; 1 January 2017: RMB138,102,000), respectively, which represents 14% (31 December 2017: 26.7%; 1 January 2017: 29.5%) of trade and other receivables.

The amount due from the Company's subsidiaries of RMB204,121,000 (31 December 2017: RMB180,953,000; 1 January 2017: RMB21,329,000) represent 99% (31 December 2017: 99%; 1 January 2017: 97.4%) of the trade and other receivables of the Company as at 31 December 2018.

Except for these amounts, there were no other concentrations of credit risk at the Group and the Company level.

In addition, the Group is exposed to credit risk in connection with financial guarantees that it has issued. The credit risk represents the loss that would be recognised upon a default by the party for which the guarantee was issued on behalf of the subsidiaries. At the reporting date, the Group does not consider it is probable that a claim will be made against the Group entities.

A summary of the Group's exposure to credit risk for trade and other receivables (prepayments) and contract assets is as follows:

	Group			
	31 Dec 2018		31 Dec 2017	1 Jan 2017
	Not credit-impaired	Credit-impaired		
	RMB'000	RMB'000	RMB'000	RMB'000
Customers within:				
- two or more years trading history with the Group*	797,502	–	811,125	882,740
- less than two years trading history with the Group*	11,928	–	34,724	82,761
- other receivables	497,598	–	516,344	530,400
Total gross carrying amount	1,307,028	–	1,362,193	1,495,901
Loss allowance	(5,523)	–	(4,944)	(4,040)
	1,301,505	–	1,357,249	1,491,861

* Excluding 'other receivables'

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Credit risk (continued)

Comparative information under FRS 39

An analysis of the credit quality of trade and other receivables (excluding prepayments) and contract assets that were not past due and the ageing of trade other receivables (excluding prepayments) and contract assets that were past due is as follows:

	Group			
	Gross	**Impairment losses**	**Gross**	**Impairment losses**
	31 Dec 2017	**31 Dec 2017**	**1 Jan 2017**	**1 Jan 2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Group				
Not past due	1,335,161	(4,040)	1,474,235	(4,040)
Past due 1 – 30 days	4,904	–	4,958	–
Past due 31 – 60 days	1,467	–	2,058	–
Past due 61 – 90 days	1,715	–	11,862	–
Past due more than 90 days	18,946	(904)	2,788	–
	1,362,193	(4,944)	1,495,901	(4,040)

When necessary, the Group establishes an allowance for impairment loss that represents its estimate of incurred losses in respect of loans and receivables. The main component of this allowance is a specific loss that relates to individually significant exposures.

Expected credit loss assessment as at 1 January and 31 December 2018

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different geographic region.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Credit risk (continued)

Expected credit loss assessment as at 1 January and 31 December 2018 (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables for customers as at 31 December 2018:

	Group			
	Weighted average loss rate	**Gross carrying amount**	**Impairment loss allowance**	**Credit impaired**
	%	**RMB'000**	**RMB'000**	
Current (not past due)	0.09	23,229	(20)	No
1 – 30 days past due	1.33	3,760	(50)	No
31 – 60 days past due	2.17	2,075	(45)	No
61 – 90 days past due	4.30	1,394	(60)	No
More than 91 days past due	14.72	8,402	(1,237)	No
		38,860	(1,412)	

Loss rates are based on actual credit loss experience over the past two years. In calculating the expected credit loss rates, the Group considers historical loss of their customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables over the expected life of the receivables.

Impairment loss of RMB3,745,000 and RMB366,000 was recognized for contract assets and other receivables, respectively. Loss rate for contract assets and other receivables is calculated based on the probability of default and recovery rate of People's Republic of China from Bloomberg.

Trade receivables that are not past due

As at 31 December 2018, included in the trade receivables attributed to the Group's development property operations are amounts of RMB14,140,000 and RMB5,841,000 (31 December 2017: RMB14,140,000 and RMB17,982,000; 1 January 2017: RMB30,089,000 and RMB22,130,000) arising from instalment sales and sales pending release of financing by banks, respectively.

The trade receivables arising from instalment sales are due between periods ranging from three months to twelve months from the reporting date.

Trade receivables that are past due

As at 31 December 2018, the Group had trade receivables amounting to RMB14,239,000 (31 December 2017: RMB 26,128,000; 1 January 2017: RMB21,666,000). Included in these trade receivables are amounts of RMB10,108,000 and RMB4,131,000 (31 December 2017: RMB19,808,000 and RMB6,320,000; 1 January 2017: RMB19,726,000 and RMB1,940,000) attributed primarily to the clean room and air diffusion products operations, and development properties operations, respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Credit risk (continued)

Movements in allowance for impairment in respect of trade and other receivables (excluding prepayments) and contract assets

The movement in the allowance for impairment in respect of trade and other receivables (excluding prepayments) and contract assets during the year was as follows:

	Group Individual impairments RMB'000
At 1 January 2017 per FRS 39	4,040
Impairment loss recognised	904
At 31 December 2017 per FRS 39	4,944

	Group Lifetime ECL RMB'000
At 1 January 2018 per FRS 39	4,944
Adjustment on initial application of IFRS 9	3,263
At 1 January 2018 per IFRS 9	8,207
Reversal of impairment loss	(2,684)
At 31 December 2018 per IFRS 9	5,523

Non-trade amount due from non-controlling interests

Amounts due from NCI is assumed to have low credit risk. The Group has considered qualitative and quantitative factors that are indicative of the risk of default. This includes factors such as the progress and expected performance of the development project in Henan Tiandao and the financial ability of Henan Tiandao.

Non-trade amount due from a joint venture partner

The Group assessed that the non-trade amount due from the joint venture partner to have low credit risk. The Group considered the latest payment history of the joint venture partner and also took into account the Group's ability to exercise its rights to take over the underlying land of Hanfang Yaoye, which has an estimated value higher than the balance outstanding.

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from related corporations and subsidiaries of RMB204,121,000 (2017: RMB180,953,000; 1 Jan 2017: RMB21,329,000). These balances are amounts extended to the related parties to satisfy short term funding requirements. The Company uses a similar approach for assessment of ECLs for these receivables to those used for trade and other receivables. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the impairment allowance on these balances is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Credit risk (continued)

Debt investment at amortised cost

The Group limits its exposure to credit risk on investments held by investing only in liquid debt securities and only with counterparties that have a credit rating of at least Baa3 from Moody's.

Impairment on debt investments are measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group assessed that the risk of impairment allowance on the debt investment at amortised cost is insignificant. The Group had received the proceeds (i.e. principal plus related returns) for investment amounting to RMB9,846,000 on 1 March 2019.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of RMB832,984,000 and RMB16,124,000 respectively at 31 December 2018 (31 December 2017: RMB803,904,000 and RMB3,350,000; 1 January 2017: RMB1,083,179,000 and RMB1,360,000 respectively). The cash and cash equivalents are held with bank and financial institution counter parties with sound credit ratings.

Impairment on cash and cash equivalents have been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt investments. The amount of the allowance on cash and cash equivalents is negligible.

Guarantees

The Group's policy is to provide financial guarantees only to liabilities arising from wholly-owned subsidiaries.

The maximum exposure of the Group in respect of the intra-group financial guarantee at the reporting date is if the bank facility is drawn down by the subsidiaries in the total amounts of RMB657,445,000 (31 December 2017: RMB891,188,000; 1 January 2017: RMB518,333,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company and Group entity under the intra-group financial guarantee.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. Approximately 79% (31 December 2017: 56%; 1 January 2017: 56%) of the Group's loans and borrowings will mature in less than one year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Cash Flows			
	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year RMB'000	Between 2 to 5 years RMB'000
Group				
31 December 2018				
Non-derivative financial liabilities				
Trade and other payables	1,587,625	(1,611,557)	(1,611,557)	–
Loans and borrowings	2,038,557	(2,173,744)	(1,633,390)	(540,354)
	3,626,182	(3,785,301)	(3,244,947)	(540,354)
31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	1,134,762	(1,134,762)	(1,134,762)	–
Loans and borrowings	1,995,480	(2,147,023)	(1,155,971)	(991,052)
	3,130,242	(3,281,785)	(2,290,733)	(991,052)
1 January 2017				
Non-derivative financial liabilities				
Trade and other payables	800,402	(800,402)	(800,402)	–
Loans and borrowings	3,083,920	(3,401,254)	(1,975,404)	(1,425,850)
	3,884,322	(4,201,656)	(2,775,806)	(1,425,850)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Liquidity risk (continued)

	Cash Flows			
	Carrying amount	**Contractual cash flows**	**Within 1 year**	**Between 2 to 5 years**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Company				
31 December 2018				
Non-derivative financial liabilities				
Trade and other payables	1,503	(1,503)	(1,503)	–
Loans and borrowings	226,815	(237,643)	–	(237,643)
	228,318	(239,146)	(1,503)	(237,643)
31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	32,385	(32,385)	(32,385)	–
Loans and borrowings	185,366	(197,438)	–	(197,438)
	217,751	(229,823)	(32,385)	(197,438)
1 January 2017				
Non-derivative financial liabilities				
Trade and other payables	44,811	(44,811)	(44,811)	–

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

Foreign currency risk of the Group arises from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The Group is also exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated operating revenue and expenses. The Group is mainly exposed to the United States Dollar (US Dollar).

The Group does not hedge its exposures to these foreign currency risks but the management considers that a natural hedge exists between the assets and liabilities in each of its subsidiaries.

The Group manages its transactional exposure by a policy of matching, as far as possible, receipts and payments in each individual currency.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Market risk (continued)

Foreign currency risk (continued)

Exposure to currency risk

The summary of quantitative data about the Group's exposure to foreign currency risk as provided to the management of the Group based on its risk management policy is as follows:

	2018 US dollar RMB'000	2017 US dollar RMB'000
Group		
Trade and other receivables	399	893
Cash and cash equivalents	341	881
Trade and other payables	(476)	(507)
	264	1,267
Company		
Cash and cash equivalents	–	54

Sensitivity analysis for foreign currency risk

A strengthening of the RMB, as indicated below, against the US dollar at the reporting date would have decreased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017, as indicated below:

	Group Profit or loss RMB'000	Company Profit or loss RMB'000
2018		
US dollar (5%)	(13)	–
2017		
US dollar (5%)	(63)	(3)

A 5% weakening of the RMB against the US dollar would have had an equal but opposite effect on the US dollar to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its interest-bearing loans and receivables, and loans and borrowings. The Group's policy is to obtain the most favourable interest rates available.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

	Group Carrying amount			Company Carrying amount		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rate instruments						
Amount due from a joint venture partner						
- current	10,000	10,000	10,000	–	–	–
- non-current	–	90,000	90,000	–	–	–
Advances to third party	–	56,540	56,540	–	–	–
Fixed deposits	234,952	198,660	300,573	–	–	–
Finance lease liabilities	(625)	(191)	(130)	–	–	–
Other secured loans	–	–	(200,000)	–	–	–
Bank overdraft	(3,099)	(3,706)	–	–	–	–
Other payables	(438,728)	–	–	–	–	–
	(197,500)	351,303	256,983	–	–	–
Variable rate instruments						
Amount due from subsidiaries	–	–	–	10,249	9,430	9,845
Secured loans	(2,034,833)	(1,991,583)	(2,883,790)	(226,815)	(185,366)	–
Other payables	(37,000)	–	–	–	–	–
	(2,071,833)	(1,991,583)	(2,883,790)	(216,566)	(175,936)	9,845

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased)/increased profit or loss by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2017.

	Profit or loss	
	100 bp increase	**100 bp decrease**
Group		
31 December 2018		
Variable rate instruments	(20,718)	20,718
31 December 2017		
Variable rate instruments	(19,916)	19,916
Company		
31 December 2018		
Variable rate instruments	(2,166)	2,166
31 December 2017		
Variable rate instruments	(1,759)	1,759

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder 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 during the years ended 31 December 2018, 2017 and 2016 (i.e. 1 January 2017).

The Company's PRC subsidiaries are required by the relevant laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund for which the utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2018, 2017 and 2016 (i.e. 1 January 2017).

The Group monitors capital using an adjusted net debt to equity ratio, which is adjusted net debt (loans and borrowings less cash and cash equivalents) divided by total equity attributable to owners of the Company.

		Group		
	Note	31 Dec 2018 RMB'000	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000
Loans and borrowings	23	2,038,557	1,995,480	3,083,920
Less: Cash and cash equivalents	20	(832,984)	(803,904)	(1,083,179)
Net debt		1,205,573	1,191,576	2,000,741
Equity attributable to owners of the Company		1,486,687	1,324,078	1,201,343
Gearing ratio		81%	90%	167%

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

		Carrying amount						Fair value			
	Note	Debt investment at amortised cost RMB'000	Equity investment at FVTPL RMB'000	Debt investment at FVTPL RMB'000	Amortised cost RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group											
31 December 2018											
Financial assets measured at fair value											
Other investments	9	–	819	7,960	–	–	8,779	819	7,960	–	8,779
Financial assets not measured at fair value											
Other investments	9	3,300	–	–	–	–	3,300				
Trade and other receivables*	10	–	–	–	534,680	–	534,680				
Cash and cash equivalents	20	–	–	–	832,984	–	832,984				
		3,300	–	–	1,367,664	–	1,370,964				
Financial liabilities not measured at fair value											
Loans and borrowings	23	–	–	–	–	(2,038,557)	(2,038,557)	–	(2,038,557)	–	(2,038,557)
Trade and other payables	24	–	–	–	–	(1,587,625)	(1,587,625)	–	(1,587,625)	–	(1,587,625)
		–	–	–	–	(3,626,182)	(3,626,182)				

* Excludes prepayment

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	Financial assets held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial asset RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group										
31 December 2017										
Financial assets measured at fair value										
Other investments	9	3,520	–	3,000	–	6,520	3,520	3,000	–	6,520
Financial assets not measured at fair value										
Trade and other receivables*	10	–	583,113	–	–	583,113				
Cash and cash equivalents	20	–	803,904	–	–	803,904				
		–	1,387,017	–	–	1,387,017				
Financial liabilities not measured at fair value										
Loans and borrowings	23	–	–	–	(1,995,480)	(1,995,480)	–	(1,995,480)	–	(1,995,480)
Trade and other payables	24	–	–	–	(1,134,762)	(1,134,762)				
		–	–	–	(3,130,242)	(3,130,242)				
1 January 2017										
Financial assets measured at fair value										
Other investments	9	2,320	–	–	–	2,320	2,320	–	–	2,320
Financial assets not measured at fair value										
Trade and other receivables*	10	–	618,803	–	–	618,803				
Cash and cash equivalents	20	–	1,083,179	–	–	1,083,179				
		–	1,701,982	–	–	1,701,982				
Financial liabilities not measured at fair value										
Loans and borrowings	23	–	–	–	(3,083,920)	(3,083,920)	–	(3,083,920)	–	(3,083,920)
Trade and other payables	24	–	–	–	(800,402)	(800,402)				
		–	–	–	(3,884,322)	(3,884,322)				

* Excludes prepayment

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

37 Financial risk management (continued)

Accounting classifications and fair values (continued)

		Carrying amount				Fair value			
	Note	Financial assets held for trading RMB'000	Loans and receivables RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Company									
31 December 2018									
Financial assets not measured at fair value									
Trade and other receivables	10	–	204,244	–	204,244				
Cash and cash equivalents	20	–	16,124	–	16,124				
		–	220,368	–	220,368				
Financial liabilities not measured at fair value									
Loans and borrowings	23	–	–	(226,815)	(226,815)	–	(226,815)	–	(226,815)
Trade and other payables	24	–	–	(1,503)	(1,503)				
		–	–	(228,318)	(228,318)				
31 December 2017									
Financial assets not measured at fair value									
Trade and other receivables	10	–	181,076	–	181,076				
Cash and cash equivalents	20	–	3,350	–	3,350				
		–	184,426	–	184,426				
Financial liabilities not measured at fair value									
Loans and borrowings	23	–	–	(185,366)	(185,366)	–	(185,366)	–	(185,366)
Trade and other payables	24	–	–	(32,385)	(32,385)				
		–	–	(217,751)	(217,751)				
1 January 2017									
Financial assets not measured at fair value									
Trade and other receivables	10	–	21,473	–	21,473				
Cash and cash equivalents	20	–	1,360	–	1,360				
		–	22,833	–	22,833				
Financial liabilities not measured at fair value									
Trade and other payables	24	–	–	(44,811)	(44,811)				

37 Financial risk management (continued)

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair valuemeasurement
Debt investment	The fair value is determined by using the present value of expected future cash flows, discounted using a market discount rate.	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique
Other financial liabilities*	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

* *Other financial liabilities relate to loans and borrowings.*

There were no transfers between Level 1 and 2 in 2018 and 2017.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

38 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following critical accounting policies involve significant judgements and estimates used in the preparation of the financial statements.

Key sources of estimation uncertainty

Valuation of development properties

The Group evaluates whether there is any objective evidence that the net realisable value of the development properties fall short of their carrying values. The Group estimates the net realisable value based on the Group's expectation of future selling prices, through valuation reports obtained from reputable independent third party valuers or recent market transactions involving comparable properties and the estimated total project costs for each project.

The net realisable value could change significantly as a result of changes in market conditions or government property control measures.

Valuation of investment properties

The fair values of investment properties are estimated based on valuations carried out by an external and independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In determining fair value, the valuer used the direct comparison income and capitalisation approaches, all of which involve the use of estimates. Management examined its judgment of the valuation methods adopted and the estimates used which included their assessment of the reasonableness of the estimation used taking into account the market conditions at the time. The key assumptions used to estimate the fair value of investment properties include market corroborated capitalisation rates, estimated unit selling price and expected rental rates.

Income taxes

Significant judgement is required in determining the tax allowances, taxability of certain income and deductibility of certain expenses during the estimate of the provision of taxes and deferred taxes.

The Group exercises significant judgement to determine the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The Group also exercises significant judgement to determine the land appreciation tax rates to be applied to the different types of properties sold and the deductibility of expenditures due to differences in the implementation of the legislation across the respective provincial government (Note 30).

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Year ended 31 December 2018

38 Accounting estimates and judgements (continued)

Critical judgments made in applying accounting policies

Classification of investments in subsidiaries and joint ventures

The Group assessed the terms and conditions of relevant shareholder's agreement, collaboration agreement or other cooperative agreement entered into for its investment in subsidiaries and joint ventures. The Group made critical judgments over its ability to exercise control or joint control over its investees. The Group's judgment included consideration of control or joint control exercised at the board of the respective investees, and their rights and obligations arising from board resolved matters as agreed with other shareholders.

In the Group's assessment of its ability of control over its investee companies, management considered the:

(a) ability to exercise power over its investees;

(b) exposure or rights to variable returns for its investments with those investees; and

(c) ability to use its power to affect those returns.

The Group's judgement included considerations of their power exercised at the board of the respective investees and rights and obligations arising from board reserve matters as agreed with the other shareholders.

39 Explanation of transition to IFRS and adoption of new standards

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening IFRS statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group has applied the following optional exemptions:

- IFRS 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to IFRS is the same as previously reported under FRS;

- IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted IFRS 9 from 1 January 2018.

  In accordance with the exemption in IFRS 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement* (equivalent to IAS 39). Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

- Comparative information and disclosures in IFRS 7 *Financial Instruments: Disclosures* is not restated to the extent that these disclosures relate to items within the scope of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

39 Explanation of transition to IFRS and adoption of new standards (continued)

The application of the mandatory exceptions and the optional exemptions in IFRS 1 did not have any significant impact on the financial statements.

In preparing the opening IFRS statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following IFRSs, interpretations of IFRSs and requirements of IFRSs which are mandatorily effective from the same date.

- IFRS 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- IFRS 9 *Financial Instruments* which includes amendments arising from IFRS 4 Insurance Contracts issued by the IASB in September 2016;
- requirements in IFRS 2 *Share-based Payment* arising from the amendments to IFRS 2 – Classification and measurement of share-based payment transactions issued by the IASB in June 2016;
- requirements in IAS 40 *Investment Property* arising from the amendments to IAS 40 – Transfers of investment property issued by the IASB in December 2016;
- requirements in IFRS 1 arising from the amendments to IFRS – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in IAS 28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have material effect on the financial statements, except for IFRS 15 and IFRS 9.

An explanation of how the transition from FRS to IFRS and the adoption of IFRS 9 and IFRS 15 have affected the Group's financial position, financial performance and cash flows is set out under the summary of quantitative impact and the accompanying notes.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of IFRS 1, IFRS 15 and IFRS 9 on the Group's financial positions as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on the transition to IFRS.

39 Explanation of transition to IFRS and adoption of new standards (continued)

Reconciliation of the Group's equity

Consolidated statement of financial position

	31 December 2017			1 January 2018	
	FRS framework	IFRS 15	IFRS framework	IFRS 9	IFRS framework
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Property, plant and equipment	55,379	–	55,379	–	55,379
Intangible assets	3,726	–	3,726	–	3,726
Investment properties	473,200	–	473,200	–	473,200
Joint ventures	403,144	–	403,144	–	403,144
Trade and other receivables	227,860	–	227,860	–	227,860
Deferred tax assets	10,471	–	10,471	–	10,471
	1,173,780	–	1,173,780	–	1,173,780
Current assets					
Inventories	17,629	–	17,629	–	17,629
Development properties	2,646,148	–	2,646,148	–	2,646,148
Contract cost	–	10,020	10,020	–	10,020
Trade and other receivables	1,480,257	(774,136)	706,121	(987)	705,134
Contract assets	–	774,136	774,136	(2,276)	771,860
Other investments	6,520	–	6,520	–	6,520
Prepaid tax	141,091	–	141,091	–	141,091
Cash and cash equivalents	803,904	–	803,904	–	803,904
	5,095,549	10,020	5,105,569	(3,263)	5,102,306
Total assets	6,269,329	10,020	6,279,349	(3,263)	6,276,086

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

39 Explanation of transition to IFRS and adoption of new standards (continued)

Reconciliation of the Group's equity (continued)

Consolidated statement of financial position (continued)

	31 December 2017			1 January 2018	
	FRS framework RMB'000	IFRS 15 RMB'000	IFRS framework RMB'000	IFRS 9 RMB'000	IFRS framework RMB'000
Equity attributable to owners of the Company					
Share capital	359,700	–	359,700	–	359,700
Reserves	956,863	7,515	964,378	(2,343)	962,035
	1,316,563	7,515	1,324,078	(2,343)	1,321,735
Non-controlling interests	200,628	–	200,628	(135)	200,493
Total equity	1,517,191	7,515	1,524,706	(2,478)	1,522,228
Liabilities					
Non-current liabilities					
Loans and borrowings	878,325	–	878,325	–	878,325
Deferred tax liabilities	255,554	2,505	258,059	(785)	257,274
	1,133,879	2,505	1,136,384	(785)	1,135,599
Current liabilities					
Loans and borrowings	1,117,155	–	1,117,155	–	1,117,155
Trade and other payables	2,306,315	(1,171,553)	1,134,762	–	1,134,762
Contract liabilities	–	1,171,553	1,171,553	–	1,171,553
Income tax payable	194,789	–	194,789	–	194,789
	3,618,259	–	3,618,259	–	3,618,259
Total liabilities	4,752,138	2,505	4,754,643	(785)	4,753,858
Total equity and liabilities	6,269,329	10,020	6,279,349	(3,263)	6,276,086

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

39 Explanation of transition to IFRS and adoption of new standards (continued)

Reconciliation of the Group's equity (continued)

Consolidated statement of financial position (continued)

	1 January 2017		
	FRS framework RMB'000	IFRS 15 RMB'000	IFRS framework RMB'000
Assets			
Non-current assets			
Property, plant and equipment	57,068	–	57,068
Intangible assets	3,421	–	3,421
Investment properties	483,000	–	483,000
Joint ventures	288,682	–	288,682
Trade and other receivables	217,454	–	217,454
Deferred tax assets	19,233	–	19,233
	1,068,858	–	1,068,858
Current assets			
Inventories	17,238	–	17,238
Development properties	2,545,693	–	2,545,693
Contract cost	–	–	–
Trade and other receivables	1,459,006	(873,476)	585,530
Contract assets	–	873,476	873,476
Other investments	2,320	–	2,320
Prepaid tax	34,358	–	34,358
Cash and cash equivalents	1,083,179	–	1,083,179
	5,141,794	–	5,141,794
Total assets	6,210,652	–	6,210,652

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

39 Explanation of transition to IFRS and adoption of new standards (continued)

Reconciliation of the Group's equity (continued)

Consolidated statement of financial position (continued)

	1 January 2017		
	FRS framework	**IFRS 15**	**IFRS framework**
	RMB'000	**RMB'000**	**RMB'000**
Equity attributable to owners of the Company			
Share capital	359,700	–	359,700
Reserves	841,643	–	841,643
	1,201,343	–	1,201,343
Non-controlling interests	177,822	–	177,822
Total equity	1,379,165	–	1,379,165
Liabilities			
Non-current liabilities			
Loans and borrowings	1,345,088	–	1,345,088
Deferred tax liabilities	242,059	–	242,059
	1,587,147	–	1,587,147
Current liabilities			
Loans and borrowings	1,738,832	–	1,738,832
Trade and other payables	1,295,086	(494,684)	800,402
Contract liabilities	–	494,684	494,684
Income tax payable	210,422	–	210,422
	3,244,340	–	3,244,340
Total liabilities	4,831,487	–	4,831,487
Total equity and liabilities	6,210,652	–	6,210,652

39 Explanation of transition to IFRS and adoption of new standards (continued)

Reconciliation of the Group's profit or loss and other comprehensive income

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December 2017		
	FRS framework RMB'000	IFRS 15 RMB'000	IFRS framework RMB'000
Revenue	1,748,042	–	1,748,042
Cost of sales	(1,508,563)	(11,613)	(1,520,176)
Gross profit	239,479	(11,613)	227,866
Other income	71,637	–	71,637
Selling and distribution expenses	(62,833)	21,633	(41,200)
Administrative expenses	(139,991)	–	(139,991)
Other operating expenses	(10,442)	–	(10,441)
Result from operating activities	97,850	10,020	107,870
Finance income	6,215	–	6,215
Share of profit of joint ventures (net of tax)	114,462	–	114,462
Profit before tax	218,527	10,020	228,547
Income tax expense	(91,560)	(2,505)	(94,065)
Profit for the year	126,967	7,515	134,482
Profit attributable to:			
Owners of the Company	116,161	7,515	123,676
Non-controlling interests	10,806	–	10,806
Profit for the year	126,967	7,515	134,482

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

39 Explanation of transition to IFRS and adoption of new standards (continued)

Reconciliation of the Group's profit or loss and other comprehensive income (continued)

Consolidated statement of profit or loss and other comprehensive income (continued)

	Year ended 31 December 2017		
	FRS framework RMB'000	IFRS 15 RMB'000	IFRS framework RMB'000
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	(941)	–	(941)
Total other comprehensive loss for the year, net of income tax	(941)	–	(941)
Total comprehensive income for the year	126,026	7,515	133,541
Total comprehensive income attributable to:			
Owners of the Company	115,220	7,515	122,735
Non-controlling interests	10,806	–	10,806
Total comprehensive income for the year, net of income tax	126,026	7,515	133,541
Earning per share:			
Basic earning per share (cents)	59.23	3.83	63.06
Diluted earning per share (cents)	59.23	3.83	63.06

Notes to the reconciliations

IFRS 1

In adopting IFRS 1 in 2018, the Group has applied the transition requirements in IFRS 1 with 1 January 2017 as the date of transition. IFRS 1 generally requires that the Group applies IFRS 15 that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in IFRS 1. The application of the mandatory exceptions and the optional exemptions in IFRS 1 did not have any significant impact on the financial statements.

39 Explanation of transition to IFRS and adoption of new standards (continued)

Notes to the reconciliations (continued)

IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted IFRS 15 in its financial statements using the retrospective approach. All requirements of IFRS 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

The Group has applied the following practical expedients as allowed under IFRS 1.

- Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.

- For the year ended 31 December 2017, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

The impact upon the adoption of IFRS 15, including the corresponding tax effects, are described below.

Presentation of contract assets and liabilities

Under IFRS 15, for each revenue contract entered into, the Group presents contract assets or contract liabilities in its statement of financial position when the Group has performed the transfer of goods/services to the customer and has established the right to payment for the transfer (contract asset), or the customer had paid a consideration in advance of the transfer of goods/services to the Group (contract liability). As a result of the adoption of IFRS 15, the Group has changed the presentation of the following amounts:

– ‘Accrued trade receivables’ classified as ‘Trade and other receivables’ of RMB774,136,000 as at 31 December 2017 and RMB873,476,000 as at 1 January 2017 were reclassified to ‘Contract assets’;

– ‘Advance receipts from customers’ classified as ‘Trade and other payables’ of RMB1,171,553,000 as at 31 December 2017 and RMB494,684,000 as at 1 January 2017 reclassified to ‘Contract liabilities’.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

39 Explanation of transition to IFRS and adoption of new standards (continued)

Notes to the reconciliations (continued)

IFRS 15 (continued)

Success-based sales commissions

The Group pays sales commissions to sales agent for securing property sales contracts for the Group on a success basis. The Group previously recognised sales commissions as an expense when incurred, but are now capitalising such incremental costs as costs of obtaining a contract under IFRS 15. The capitalised costs are amortised in accordance with the pattern of revenue recognised for the related revenue contract. The impact to the financial statements is as follows:

	31 Dec 2017 RMB'000	1 Jan 2017 RMB'000
Consolidated statement of financial position		
Increase in contract costs	10,020	–
Increase in deferred tax liabilities	(2,505)	–
Increase in retained earnings	7,515	–
Consolidated statement of profit or loss and other comprehensive income		
Increase in cost of sales	(11,613)	
Decrease in selling and distribution expenses	21,633	
Increase in income tax expense	(2,505)	
Increase in total comprehensive income for the year	7,515	

Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred. Previously, the Group did not apply such a policy when payments were received in advance.

The Group receives payments in advance of revenue recognition when commercial and residential properties are marketed by the Group while the property is still under construction.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23.

There were no material adjustments to the Group's statement of financial position as at 1 January 2017 and 31 December 2017, as well as the Group's profit or loss and other comprehensive income for the year ended 31 December 2017 as a result of the change in policy.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

39 Explanation of transition to IFRS and adoption of new standards (continued)

Notes to the reconciliations (continued)

IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been generally applied by the Group retrospectively, except for the following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.

- The determination of the business model within which a financial asset is held; and
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest of the principal amount outstanding.

If a debt investment has low credit risk at 1 January 2018, the Group had assumed that the credit risk on the assets has not increased significantly since its initial recognition.

The impact upon adoption of IFRS 9, including the corresponding tax effects, are described below.

(i) Classification of financial assets and financial liabilities

Under IFRS 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under IFRS 9, see Note 3.4.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

39 Explanation of transition to IFRS and adoption of new standards (continued)

Notes to the reconciliations (continued)

IFRS 9 (continued)

(i) Classification of financial assets and financial liabilities (continued)

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Group	Note	Classification under FRS 39	Classification on IFRS 9	1 January 2018 Carrying amount under FRS 39	1 January 2018 Carrying amount under IFRS 9
				RMB'000	RMB'000
Financial assets					
Floating rate debt instrument	(a)	Available-for-sale	FVTPL – debt instrument	3,000	3,000
Quoted equity securities	(b)	Held-for-trading	FVTPL – equity instruments	3,520	3,520
				6,520	6,520
Trade and other receivables	(c)	Loans and receivables	Amortised cost	933,981	932,994
Cash and cash equivalents		Loans and receivables	Amortised cost	803,904	803,904
Total financial assets				1,744,405	1,743,418

(a) The floating rate debt instrument categorised as available-for-sale under FRS 39 are held by the Group portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. As these listed debt investments failed to meet the criteria of solely payments of principal and interest, these assets have been classified as debt instrument measured at FVTPL under IFRS 9.

(b) Under FRS 39, these equity investments were designated as at held-for-trading because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as equity instruments measured under FVTPL under IFRS 9.

(c) Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of RMB987,000 in the allowance for impairment was recognised in opening retained earnings of the Group and of the Company at 1 January 2018 respectively on transition to IFRS 9.

39 Explanation of transition to IFRS and adoption of new standards (continued)

Notes to the reconciliations (continued)

IFRS 9 (continued)

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments. The adoption of the new impairment model under IFRS does not affect the carrying amount of intra-group financial guarantee contracts at 1 January 2018, as the amount initially recognised less the cumulative amount of income recognised in accordance with IFRS 15 is higher than the estimated ECL amount.

The application of IFRS 9 impairment requirements at 1 January 2018 results in additional allowances for impairment as follows:

	Group RMB'000	Company RMB'000
Loss allowance at 31 December 2017 under FRS 39	4,944	–
Additional impairment recognised at 1 January 2018 on:		
Trade receivables as at 31 December 2017	500	–
Other receivables as at 31 December 2017	487	–
Contract assets recognised on adoption of IFRS 15	2,276	–
Loss allowance at 1 January 2018 under IFRS 9	8,207	–

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information about how the Group and the Company measure the allowance for impairment is described in Note 37.

(iii) Transition impact on equity

The following table summarises the impact, net of tax, of transition to IFRS 9 on retained earnings and NCI at 1 January 2018.

	Retained earnings RMB'000	Non-controlling interests RMB'000
Group		
Closing balance under FRS 39 (31 December 2017)	942,976	200,628
Recognition of expected credit losses under IFRS 9	(3,128)	(135)
Related tax	785	–
Opening balance under IFRS 9 (1 January 2018)	940,633	200,493

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of these standards that are not yet effective, IFRS 16 Leases is expected to have an impact on the Group's financial statements in the period of initial application.

A. IFRS 16

The Group is required to adopt IFRS 16 from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

– the Group has not finalised the testing and assessment of controls over its new IT systems; and

– the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including 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 Group as lessee

The Group expects to measure lease liabilities by applying a single discount rate to their portfolio. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

The Group expects their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under IFRS 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the Group expects an increase in ROU assets of RMB7,934,000 and an increase in lease liabilities of RMB7,934,000.

The nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40 Standards issued but not yet effective (continued)

A. IFRS 16 (continued)

The Group as lessor

IFRS 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Company continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

B. Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 *Uncertainty over Tax Treatments*.
- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9).
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28).
- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 *Insurance Contracts*.

ADDITIONAL INFORMATION

Year ended 31 December 2018

List of property development projects

Completed projects

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Zhengzhou	Weiye Ru Guo Ai	Shang Cheng East Road, North, Shang Mao Road West, Zhengzhou City, Henan Province, the PRC	Henan Weiye Construction Development Group Co., Ltd	100	High-rise apartments and commercial centre	57,908	17,922	100%	December 2008
Zhengzhou	Weiye Tiandao Tianheshuian	West of Yangqiao Road, north of Ruifeng Road, Zhongmu County, Zhengzhou, Henan Province, the PRC	Henan Tiandao Assets Management Co., Ltd.	51	High-rise apartments and small commercial centre	69,248	21,671	100%	December 2014
Zhengzhou	Weiye Tiandao International	West of Yangqiao Road, north of Ruifeng Road, Zhongmu County, Zhengzhou, Henan Province, the PRC	Henan Tiandao Assets Management Co., Ltd.	51	Offices and retail shops	110,353	20,996	100%	December 2015
Wanning	Weiye Costa Rhine	Taiyanghe Hotspring Resorts, Xinglong District, Wanning, Hainan Province, the PRC	Wanning Yingde Property Co., Ltd.	100	Apartment hotel and retail shops	32,054	49,454	100%	December 2011
Tunchang	Weiye Oxygen Cube B	East of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC	Tunchang Yajing Property Co., Ltd.	100	Mid-rise apartments with street-level retail shops	16,997	12,977	100%	August 2012
Danzhou	Weiye West International Plaza	East of Lanyangbei Road, Northern Disctrict, Nada Disctrict, Danzhou, Hainan Province, the PRC	Hainan Zhongfang Investment Holdings Company Limited	100	High-rise apartments and small commercial centre	58,586	20,003	100%	December 2011
Tunchang	Weiye Oxygen Cube A	Zhong San Road South, Tun Cheng Zhen, Hainan Province, the PRC	Tunchang Hongji Weiye Property Development Co., Ltd.	100		112,010	54,811[i]	100%	December 2017
	Phase I			100	Mid-rise apartments with street-level retail shops	52,189			August 2012
	Phase II			100	Mid-rise and high-rise apartments with street-level retail shops	43,497			May 2015

ADDITIONAL INFORMATION

Year ended 31 December 2018

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
	Phase III			100	Mid-rise apartments	16,324			December 2017
Haikou	Weiye Yehai Shangcheng	West area of Haikou City, Hainan Province, the PRC	Weiye Holdings Hainan Real Estate Co., Ltd	100	High-rise apartments and commercial centre	73,531	23,711	100%	December 2018
Zhengzhou	Weiye Shangcheng Yihaoyuan	Intersection between Xin Zhuang Road East and Jing Yi Road South, Zhengzhou City, Henan Province, the PRC	Henan Xingwei Property Co., Ltd	100	High-rise apartments	195,119	55,353	100%	June 2017
	Weiye Shangcheng Erhaoyuan	Intersection between Xin Zhuang Road East and Jing Yi Road South, Zhengzhou City, Henan Province, the PRC	Henan Xingwei Property Co., Ltd	100	High-rise apartments	80,363	23,060	100%	November 2018

Properties under development

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Xinxiang	Weiye Central Park	Intersection between Xinxiang City Ping Yuan Road and No. 2 Street, Xinxiang City, Henan Province, the PRC	Xinxiang Weiye Property Co., Ltd.	100		621,585	178,886[ii]		December 2019
	Phase I			100	High-rise apartments with street-level retails shops	58,051 (completed)		100%	September 2009
	Phase II			100	Mid-rise and high-rise apartments with street-level retail shops	187,226 (completed)		100%	March 2014
	Phase III			100	High-rise apartments with street-level retails shops	135,492 (completed)		100%	September 2014

ADDITIONAL INFORMATION

Year ended 31 December 2018

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
	Phase IV			100	High-rise apartments with street-level retails shops	127,015 (completed)		100%	December 2016
	Phase V			100	High-rise apartments with street-level retails shops	113,801		95%	December 2019
Huizhou	Weiye Meiyue Wan	Autou Huangyuyong, Huizhou City, Guangdong province, the PRC	Huizhoushi Dajinzhou Property Co., Ltd & Guangdong Leiding Property Co., Ltd	100	High-rise apartments and commercial centre	129,989	29,381	70%	December 2019
Huizhou	Weiye Lanting Wan	Autou Weiqian, Huizhou City, Guangdong province, the PRC	Huizhou Dayawan Pengrun Property Co., Ltd	100	High-rise apartments and commercial centre	56,644	11,000	65%	December 2019
Huzhou	Taihu Tiancui	Binhunan unit, Taihu Resort, Huzhou City, Zhejiang province, the PRC	Huzhou Ganghong Property Co., Ltd	40	High-rise apartments and villa	138,146	57,734	35%	July 2020

Properties held for future development

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Zhengzhou	Weiye Shangcheng Sanhaoyuan	Intersection between Xin Zhuang Road East and Jing Yi Road North, Zhengzhou City, Henan Province, the PRC	Henan Xingwei Zuolian Zhiye Co., Ltd	100	High-rise apartments	67,526	20,107	N/A	January 2021
Fuzhou	Pangu - Fujian Tianjiao	Intersection between Binhai Xincheng Huwen Road and Jinbin Yi Road, Fuzhou City, Fujian Province, the PRC	Fujian Tianjiao Corporation Management Co., Ltd	60	Data Industry Experimental Center	28,163	15,702	N/A	January 2021
Fuzhou	Pangu - Fujian Tianzhi	Intersection between Binhai Xincheng Huwen Road and Jinbin Road, Fuzhou City, Fujian Province, the PRC	Fujian Tianzhi Corporation Management Co., Ltd	60	Data Industry Experimental Center	31,387	17,437	N/A	January 2021

ADDITIONAL INFORMATION

Year ended 31 December 2018

Location (City)	Projects Name	Location (Address)	Name of ownership	% owned	Proposed development	Completed Gross Floor Area (sq.m)	Site area (sq.m)	Percentage of completion	Completion Date
Yangzhou	Yuejiangwan	Binjiang Xincheng, Yizheng City, Yangzhou, Jiangsu Province, the PRC	Yizheng Honglin Zhiye Co., Ltd.	30	High-rise residential buildings and bungalow	172,358	66,358	N/A	December 2020
Yangzhou	Yuediwan	Binjiang Xincheng, Yizheng City, Yangzhou, Jiangsu Province, the PRC	Yizheng Hongrui Property Developmer Co., Ltd.	30	High-rise residential buildings and bungalow	183,818	69,788	N/A	December 2020
Wanning	Weiye Costa Rhine Phase II	Puzhai Po West Road, Du Guan District, Chang Feng Zhen, Haiyu East Road, Wanning City, Hainan Province, the PRC	Wanning Yingde Property Co., Ltd.	100	High-end residential	70,000	66,667	N/A	June 2021

(i) Represent the aggregate site area of phases I, II and III of Weiye Oxygen Cube A.

(ii) Represent the aggregate site area of phases I, II, III, IV and V of Weiye Central Park.

List of investment properties

Projects Name	Location (Address)	Property Type	Gross Floor Area held for investment(sq.m)	% owned	Expiry date of land used rights
Weiye International Square	North of Shangdu Road, east of Xinyi Road, Zhengdong New Disctrict, Zhengzhou, Henan Province, the PRC	Retail units and office units	12,591	100	9 October 2050
Weiye Ruguo Ai	No.50 Yingxie Road, Jinshui District, Zhengzhou, Henan Province, the PRC	Retail units	2,384	100	27 August 2074
Weiye Costa Rhine	Taiyanghe Hotspring Resorts, Xinglong District, Wanning, Hainan Province, the PRC	Apartment units and retail unit	8,345	100	31 December 2063
Weiye Oxygen Cube B	East of Huandong 2nd Road, Tuncheng Town, Tunchang County, Hainan Province, the PRC	Residential units	2,078	100	16 December 2079
Weiye Rhine Coast	Fengjia Bay, Huiwen Town, Wenchang, Hainan Province, the PRC	Apartment hotel	15,824	100	8 September 2064

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