新明中国控股
XINMING CHINA

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

(Incorporated in the Cayman Islands with limited liability)

Stock code：2699

2018
Annual Report

CONTENTS

PRINTED WITH SOY INK ™

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Chengshou
(Chairman and Chief Executive Officer)
Mr. Feng Cizhao

Non-Executive Director

Ms. Gao Qiaoqin

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Chen Chengshou
Mr. Kam Chun Ying Francis

COMPANY SECRETARY

Mr. Kam Chun Ying Francis

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY'S WEBSITE ADDRESS

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CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
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Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Wenzhou Bank, Qianjiang Branch
Hangzhou United Bank, Kangqiao Branch
China Construction Bank, Tengzhou Branch
Bank of China, Chongqing Dazu Branch
Ping An Bank, Hangzhou Huanglong Branch

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY

Chungs Lawyers (as to Hong Kong Laws)
Jingtian & Gongcheng (as to PRC Laws)

LISTING INFORMATION

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

CHAIRMAN'S STATEMENT

To all shareholders,

I hereby announce the annual results of Xinming China Holdings Company (the "Company" or "Xinming China"), for the year ended 31 December 2018 (the "Year under Review"), on behalf of the board (the "Board") of directors (the "Director") of the Company.

During the Year under Review, total revenue of the Company (together with its subsidiaries, the "Group") amounted to approximately RMB624.8 million, representing a significant decrease of approximately 66.9% from approximately RMB1,888.2 million for the corresponding period of last year. The profit attributable to shareholders of the Company amounted to approximately RMB42.9 million, representing a significant decrease of approximately 82.3% from approximately RMB242.3 million for the corresponding period of last year.

During the Year under Review, earnings per share were approximately RMB0.02 (31 December 2017: earnings per share amounted to approximately RMB0.13). As at 31 December 2018, the total assets of the Group amounted to approximately RMB6,772.2 million (31 December 2017: approximately RMB6,753.6 million); total liabilities were approximately RMB4,681.0 million (31 December 2017: approximately RMB4,671.6 million); total equity was approximately RMB2,091.2 million (31 December 2017: approximately RMB2,082.0 million); and net asset value per share was approximately RMB1.11 (31 December 2017: approximately RMB1.11).

CHAIRMAN'S STATEMENT

In 2018, China experienced a gradual economic slowdown, the GDP of which stood at RMB90 trillion, representing a year-on-year increase of 6.6% based on comparable price, which was the lowest growth rate in 28 years. On a quarterly basis, the growth rate was 6.8%, 6.7%, 6.5% and 6.4% year-on-year, respectively, showing that the economic growth was gradually declining. With the economic downturn and the US-China trade war, the real estate market lacked a concrete direction of development in the past year. Despite the tightening of regulations on the real estate market, an overall economic downturn, and stricter policies such as restrictions on purchases and loans, pre-selling and prices, house sales nationwide still amounted to approximately RMB15 trillion in 2018, representing a year-on-year increase of 12.2%. We believe that such increase is attributable to rapid urbanization and high demand for housing; there is still keen demand and room for growth in the real estate market.

During the Year under Review, the Group recorded property sales of RMB567.2 million, representing a decrease of approximately 69.1% as compared to the same period last year, which was attributable to (i) the property sales of RMB308.4 million from Hangzhou Xinming • Children's World (the "Hangzhou Project") during the Period, representing a significant decrease of approximately 82.5% as compared to last year; and (ii) Xinming • Children's World (the "Shanghai Project") being affected by the Shanghai's property management policy launched by Shanghai government during the Year under Review; pursuant to which, retail shops may not be sold until the reopening of the network signing system for housing (房產網簽系統) in October, as a result, the Shanghai Project was unable to deliver substantial revenue during the

CHAIRMAN'S STATEMENT

Year under Review. On the contrary, the property sales of Chongqing Xinming • China South-western City (the "Chongqing Project") increased significantly by approximately 205.7%, mainly due to the completion of Block 4 and Block 5 of the project. Therefore, during the Year under Review, the Group delivered GFA of approximately 74,635.0 sq.m., representing a decrease of approximately 26.7% as compared to the corresponding period of last year. The average selling price as a whole during the Period dropped by approximately 57.8% as compared to the corresponding period of last year, mainly due to the proportion of sales from Hangzhou Xinming of 2018 is lower than that of 2017 and the adjustment of sales strategies of Xingmeng International Commercial City and Chongqing Xinming • China South-western City Phase 1, which led to price differentiation of retail stores in different locations. As at 31 December 2018, the property portfolio of the Group comprised 16 property development projects in various cities in the PRC. These projects were under various stages of development, with an aggregate GFA of approximately 1,022,396 sq.m., of which, approximately 487,016 sq.m. of the GFA was completed, approximately 55,145 sq.m. of the GFA was under development and approximately 480,235 sq.m. of the GFA was held for future development.

CHAIRMAN'S STATEMENT

PROSPECTS

In 2019, "One Policy for One City" will be the major direction of the PRC government to establish a long-term effective mechanism for the steady and healthy development of the real estate market. "One Policy for One City" principally refers to "acting according to circumstances and giving different guidance to different categories of cities"; in the short term, local governments would not loosen their policies and would stick to "One Policy for One City". However, during the implementation process, loosening of regulation is not considered uncommon, and local governments are expected to loosen their policies given that some big cities did experience a slowdown in transactions and price growth. Judging from the market trend, the growth in area transacted has slowed down notably for many months. If the regulations on the housing market remain unchanged in 2019, the market may experience a significant correction and such declining trend has emerged, albeit to a moderate extent. After nearly two years of destocking, the GFA held for sale of the commercial housing in China has dropped to 520 million sq.m., representing a year-on-year decrease of 11.0%; property inventory has dropped to a 57-month low. The destocking in the market has nearly come to an end, which will lend support to the housing prices.

Recently, the development concepts of industrial real estate have put increasing emphasis on issues in relation to the ecosystem, childcare, environmental protection, smart city and low carbon, and infuse city lifestyle into office areas; all of which will be the core values of industrial real estate. When it comes to industrial property development, the positioning and mindset of which are undergoing transformation; the rise in industries related to entrepreneurship, innovation and creativity leads to fewer demand for land but greater demand for ancillary facilities, especially those catering for internet resources and government services. Such development concepts will be the development directions of industrial real estate in future.

Therefore, Xinming China will continue to develop the child-centric real estate in response to market demand for the high-end and innovative industrial real estates and strive to provide comprehensive products and services for maternity, baby & children (MBC) market. Apart from off-line projects, the Group will continue to develop an online platform, promote a comprehensive network platform with a MBC theme, which enables mutual interaction between online and offline operations, and enhances customer loyalty, so as to maximize the marketing return of investment. My Babini has gradually grown and pursued the path of themed property operations, creating greater business value-added potential and room for development.

CHAIRMAN'S STATEMENT

The Group expects that the Chongqing Project and Shandong Tengzhou Xingmeng International Commercial City (the "Shandong Project") will pass the preliminary review of land planning from the local governments and will be changed to high-quality developed residential use in 2019, and the Chongqing Project and the Shandong Project will be ready for pre-sale in the second half of 2019. The Group believes that the sale of the residential properties will attract people in that areas and lead to a boost in value of the surrounding commercial lands of the projects; and an increase in the value of the surrounding commercial lands will increase the values of the residential properties of the projects as well. Both projects will have a positive impact on the Group's future financial condition and return. In the meantime, the Group continued to provide a broad range of high quality products and services for MBC under the My Babini brand and adopting the "Internet+" business model, which will be first implemented in the Hangzhou Project in the second half of 2019 with the aim of realizing the online-offline co-operation mode.

DEVELOPMENT STRATEGIES

MBC-THEMED BUSINESS IMPLEMENTS ONLINE-OFFLINE CO-OPERATION

Xinming China's first-of-its-kind MBC-themed online-offline store will be introduced to the Hangzhou Project in the second half of 2019. Xinming China has been searching for high quality products globally, and aims at providing a broad range of high quality products and services for MBC under the My Babini brand.

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

STRENGTHEN INTERNAL MANAGEMENT AND PREVENTING RISKS

The Group will closely monitor market developments, exercise strict risk control, strengthen the risk alert mechanism and risk training, improve corporate governance, and promote effective management and the upgrading of talents.

FOCUS ON PERSONNEL TRAINING, INNOVATION AND HUMAN RESOURCES MANAGEMENT

The Group will take an innovative approach in personnel training step by step, strengthen its workforce through a variety of ways of learning, training and practicing, and actively introduce high-level international talents; progressively realize the Company's overseas personnel building and training, improve the performance appraisal system for the responsible persons of subsidiary enterprises of the Group.

CHAIRMAN'S STATEMENT

SUMMARY

Looking forward to 2019, the Group is cautiously optimistic about China's economic development, which has been shifted from rapid growth to steady progress. Under "One Policy for One City", the price of residential land in terms of transacted floor area will become stable. As local governments continue to increase land supply, more residential lands will come on stream. Of which, given the satisfactory sales performance of the real estate market in third-and fourth-tier cities last year, the local governments will further increase land supply and record the largest year-on-year increase in land supply among different cities. With the recovery of the transaction volumes and prices in first-and second-tier cities and major third-and fourth-tier cities, the market is expected to face with new opportunities and challenges. We believe that the Chongqing Project and Shandong Project, which will be launched during the year, will add value to the existing land, and will attract more people to that area and boost its spending power via the sale of the residential properties, achieving the goal of constructing commercial complexes targeted at addressing the consumption needs of the MBC. However, the general public in China is no longer looking for basic average housing and begins to have rigid demand for high-quality housing. Therefore, the Group will continue to develop child-centric real estate and capitalize on the latest opportunities and development trends.

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

Xinming China Holdings Limited
Chairman and Chief Executive Officer
Chen Chengshou

Hangzhou, China
27 March, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW AND OPERATION MANAGEMENT

In 2018, China experienced the lowest GDP growth rate in 28 years, posting a year-on-year increase of only 6.6%. With regard to the Chinese real estate market, data published by the National Bureau of Statistics demonstrates that in 2018, nationwide housing sales increased 12.2% year-on-year to RMB15 trillion. Total floor area sold rose 1.3% year-on-year to 1,717 million sq.m.. As compared to the same period of last year, the respective growth rate slowed down substantially.

During the Year under Review, transactions of commercial residential buildings are expected to increase slightly as compared to last year. The urban real estate market has also undergone notable changes, especially when different regulations were gradually implemented by the PRC government, which made the market segmentation between first-, second-, third-and fourth-tier cities more prominent. The Shanghai Project of the Group was affected by Shanghai's property management policy launched by the Shanghai government during the Year under Review; in particular, sales contracts for retail shops may not be registered until the reopening of the network signing system for housing (房產網簽系統) in October. As a result, the Shanghai Project was unable to deliver substantial revenue during the Year under Review. An analysis of the transactions showed that third-and fourth-tier cities were still the major market for commercial residential buildings, accounting for 69% of the market; the transaction scale of first-and second-tier cities continued to decrease year-on-year. Judging by the development trend during the Year under Review, the transaction volume experienced an initial rise before pulling back. With the effective regulations on destocking, the property inventory was close to historical low.

Despite the lack of positive market sentiment, we believe the market is only experiencing a temporary structural correction; the potential purchasing power and repeat purchase rates of the property market are still substantial. As a result, the Group is still actively looking for real estate projects with high return and trying to alter some of the lands originally intended for commercial use into residential use, with the intention of increasing profits and catering to the society's demand for housing. The Group has been applying for preliminary review for some of the commercial land in the Chongqing Project and the Shandong Project from the local government during the Year under Review with the aim of changing the land to residential use. The sale of residential properties will attract people in that area and lead to a boost in value of the commercial lands surrounding the projects; and an increase in the value of the surrounding commercial lands will increase the values of the residential properties of the projects as well. The Group expects that the Chongqing Project and Shandong Project will complete the land planning review in the first half of 2019, and will be ready for pre-sale in the second half of the year.

In the meantime, the development concepts of industrial real estate have put increasing emphasis on issues in relation to the ecosystem, childcare, environmental protection, and smart city, and infuse city lifestyle into office areas; all of which will be the core values of industrial real estate. Xinming China will continue to develop the child-centric real estate in response to the market's expectation. Apart from off-line projects, the Group will continue to develop an online platform, promote a comprehensive network platform with a MBC theme, which enables mutual interaction between online and offline operations, and enhances customer loyalty, so as to maximize the marketing return of investment.

BUSINESS REVIEW

During the year ended 31 December 2018 (the "Year under Review"), the Group recorded a total revenue of approximately RMB624.8 million, representing a significant decrease of approximately RMB1,263.4 million or approximately 66.9% from approximately RMB1,888.2 million of 2017. The delivered sales and GFA sold were approximately RMB567.2 million and 74,635.0 sq.m., representing a decrease of approximately RMB1,267.5 million or approximately 69.1% as compared to approximately RMB1,834.7 million and approximately 101,824.5 sq.m., respectively of 2017. The average selling price for sales was RMB7,599.7 per sq.m., representing a decrease of approximately 57.8% year-on-year, which was mainly because the proportion of sales from Hangzhou Xinming of 2018 is lower than that of 2017.

Profit attributable to the shareholders of the Company amounted to approximately RMB42.9 million, representing a significant decrease of approximately RMB199.4 million from approximately RMB242.3 million in 2017. Earnings per share were approximately RMB0.02 (2017: approximately RMB0.13).

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

As at 31 December 2018, total assets of the Group amounted to approximately RMB6,772.2 million (31 December 2017: approximately RMB6,753.6 million); total liabilities were approximately RMB4,681.0 million (31 December 2017: approximately RMB4,671.6 million); total equity was approximately RMB2,091.2 million (31 December 2017: approximately RMB2,082.0 million); and net assets per share were approximately RMB 1.11 (31 December 2017: approximately RMB1.11).

Property Development

As at 31 December 2018, the Group's property portfolio consisted of 16 property development projects with an aggregate GFA of approximately 2,237,826 sq.m. under various stages of development in various cities in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

The summary of the portfolio of our property development projects as at 31 December 2018 is as follows:

			COMPLETED					UNDER DEVELOPMENT			FUTURE DEVELOPMENT			
Project	Location	Existing use	Site area (sq.m.)	GFA Completed (sq.m.)	Saleable GFA (sq.m.)	Non-saleable GFA (sq.m.)	Saleable GFA in remaining unsold (sq.m.)	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Estimated date of completion	Estimated stage of completion	Equity attributable to the Group (%)
Completed														
Taizhou Xinming Peninsular			205,807	463,509	394,552	68,957	3,089	–	–	–	–	–	–	
Phase 1	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercial	86,667	189,387	157,005	32,382	2,939	–	–	–	–	–	–	100%
Phase 2 – Stage 1	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercial	66,600	121,498	111,723	9,775	36	–	–	–	–	–	–	100%
Phase 2 – Stage 2	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercial	52,540	152,624	125,824	26,800	113	–	–	–	–	–	–	100%
Xinming International Household Products Mall and Exhibition Center	No. 8, North Section, Taizhou Boulevard, Jiaojiang District; No. 27 Building, No. 8, North Section, Taizhou boulevard, Jiaojiang District, Taizhou City	Commercial	131,768	207,908	100,151	107,757	2,957	–	–	–	–	–	–	100%
Xinming Lijiang Garden	Xinming Lijiang Garden, No. 8, North Section, Taizhou Boulevard, Jiaojiang District, Taizhou City	Residential, Commercial	63,431	210,988	177,466	33,522	3,637	–	–	–	–	–	–	100%
Wenshang Times • Red Star Macalline Household Products Market	No. 1990, East Ring Boulevard, Jiaojiang District, Taizhou City	Commercial	11,000	67,239	–	67,239	–	–	–	–	–	–	–	100%
Wenshang Times • Xinming Household Decorations and Fittings City	No. 1990, East Ring Boulevard, Jiaojiang District, Taizhou City (Xinming Household Decorations and Fittings City)	Commercial	44,871	67,251	44,415	22,836	22,734	–	–	–	–	–	–	100%
Wenshang Times • Xinming Apartment	No. 1990-1, East Ring Boulevard, Jiaojiang District, Taizhou City	Residential	10,263	39,941	35,605	4,336	1,227	–	–	–	–	–	–	100%
Shandong Xingmeng International Commercial City	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	37,814	62,664	60,288	2,376	56,146	–	–	–	–	–	–	75%
Shanghai Xinming • Children's World	No. 699, Liuxiang Road, Nanxiang Town, Jiading District, Shanghai Municipality	Commercial	39,720	186,904	138,179	48,725	50,488	–	–	–	–	–	–	79%
Hangzhou Xinming • Children's World	No.698, Xiaohe Road, Gongshu District, Hangzhou	Commercial	30,499	147,754	147,754	–	38,478	–	–	–	–	–	–	100%

			COMPLETED					UNDER DEVELOPMENT			FUTURE DEVELOPMENT			
Project	Location	Existing use	Site area (sq.m.)	GFA Completed (sq.m.)	Saleable GFA (sq.m.)	Non-saleable GFA (sq.m.)	Saleable GFA in remaining unsold (sq.m.)	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Estimated date of completion	Estimated stage of completion	Equity attributable to the Group (%)
Under Development														
China South-western City Phase 1	Distribution Center, China South – western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Commercial	175,531	248,286	170,862	77,424	19,273	25,516	–	–	–	–	100%	95%
Shandong Xingmeng International Commercial City	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	23,200	–	–	–	–	29,629	26,176	10,112	–	–	100%	75%
Future Development														
Shandong Xingmeng International Commercial City*	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	78,171	–	–	–	–	–	–	–	179,080	N/A	–	75%
China South-western City Phase 2	Distribution Center, China South – western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Residential	44,321	–	–	–	–	–	–	–	110,803	N/A	–	95%
China South-western City Phase 3	Distribution Center, China South – western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Residential	20,569	–	–	–	–	–	–	–	51,423	N/A	–	95%
China South-western City Phase 3#	Distribution Center, China South – western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Commercial	92,620	–	–	–	–	–	–	–	138,930	N/A	–	95%
Total			1,009,508	1,702,445	1,269,272	433,173	198,030	55,145	26,176	10,112	480,236			

Note:

* The Group is negotiating with the government to turn the undeveloped commercial land of 23,341 sq.m. in the Shandong Xingmeng project into residential land.

\# The Group is negotiating with the government to turn the undeveloped commercial land of 92,620 sq.m. in the Chongqing Xinming China South-western City into residential land.

Property Sales

During the Year under Review, the Group recorded property sales of approximately RMB567.2 million, representing a decrease of approximately RMB1,267.5 million or approximately 69.1% as compared to approximately RMB1,834.7 million in 2017. Total GFA delivered during the Year under Review was approximately 74,635.0 sq.m., representing a decrease of approximately 26.7% as compared to 2017. Property sales remained the largest revenue source to the Group, representing approximately 90.8% of its total revenue. Property sales decreased during the Year under Review, mainly due to the completed construction and the completion of property transfer and delivery procedures of the majority of the properties in the Hangzhou Xinming • Children's World project before December 2017. In 2018, only the remaining properties completed the property delivery procedures; the property sales decreased significantly by 69.1% as compared with last year.

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

Projects	**Location**	**Sale GFA** (sq.m.)	**Income** (RMB million)	**Average selling price** (RMB/sq.m)
Taizhou Xinming Peninsular				
Phase 1	Taizhou	1,106,0	3.3	2,983.3
Phase 2 — Stage 2	Taizhou	107.7	0.2	1,584.0
Xinming Lijiang Garden	Taizhou	1,642.5	10.6	6,473.4
Wenshang Times • Xinming Apartment	Taizhou	20,121.0	13.4	667.4
Shanghai Xinming Children's World	Shanghai	1,760.3	52.7	29,949.4
Hangzhou Xinming • Children's World	Hangzhou	13,056.0	308.4	23,620.5
Chongqing Xinming • China South-western City Phase 1	Chongqing	36,619.5	177.8	4,854.4
Xingmeng International Commercial City	Tengzhou	222.0	0.8	3,656.1
Total		74,635.0	567.2	7,599.7

Property Leasing

The Group carries out property leasing business through leasing our commercial properties held for investment and leasing the sold commercial properties leased back from third parties by the Group. As at 31 December 2018, the actual area leased out was approximately 170,327.6 sq.m., representing approximately 84% of the Group's total investment properties held-for-lease and the sold commercial properties leased back from third parties purchasers.

During the Year under Review, the rental income was approximately RMB57.6 million, representing an increase of approximately 7.7% as compared to approximately RMB53.5 million in 2017, mainly because of the increase in rentable area of the Chongqing Xinming EasyHome project and Wenshang Times • Xinming Apartment (Area B).

Land Reserves

As at 31 December 2018, the Group's property portfolio consisted of 16 property development projects located in a number of cities throughout China. These projects was at various stages of development, with total GFA amounted to approximately 1,022,396 sq.m., of which approximately 487,016 sq.m. was completed, approximately 55,145 sq.m. was under development, and approximately 480,235 sq.m. was held for future development.

The following table summarises the Group's land reserve by geographical location as at 31 December 2018:

Location	Saleable GFA remaining unsold/ GFA held for investment (sq.m.)	GFA under development (sq.m.)	Planned GFA for future development (sq.m.)	Total land reserve (sq.m.)	Proportion to the total land reserve (%)
Taizhou	202,046	–	–	202,046	20%
Shanghai	99,213	–	–	99,213	10%
Chongqing	91,134	25,516	301,155	417,805	41%
Tengzhou	56,145	29,629	179,080	264,854	26%
Hangzhou	38,478	–	–	38,478	3%
Total	487,016	55,145	480,235	1,022,396	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking forward to 2019, China's economic growth is expected to experience a slowdown, and the macro-economic policy will stay accommodative. With the implementation of "One Policy for One City", the price of residential land in terms of transacted floor area will stabilise. As the non-market oriented regulations on first-and second-tier cities are fading out, the transaction volumes and prices in first-and second-tier cities and major third-and fourth-tier cities are expected to recover, despite the continuous increase in land supply and residential land in third-and fourth-tier cities. At the same time, as the general public in China put increasing emphasis on the functionality and quality of industrial real estate, Xinming China will continue to develop quality MBC-themed real estate with determination to meet the market's expectation.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from property sales and property leasing services, which contributed approximately 90.8% and 9.2%, respectively, to the total revenue during the Year under Review approximately RMB624.8 million. Property sales remained the major revenue source of the Group, which recorded a decrease of approximately RMB1,263.4 million as compared to approximately RMB1,888.2 million for the same period of last year. Property sales decreased mainly due to the completion of construction and the majority of property delivery procedures of Hangzhou Xinming • Children's World project before the end of December 2017.

Cost of sales

During the Year under Review, the Group's cost of sales was approximately RMB344.1 million, representing a year-on-year decrease of approximately RMB824.2 million or approximately 70.5%. The decrease was primarily attributable to the decrease in the total GFA of properties delivered during the Year under Review as compared with last year, which led to the respective decrease in the cost of sales.

Gross profit

During the Year under Review, the gross profit amounted to approximately RMB280.7 million, representing a decrease of approximately RMB439.2 million or 61.0% as compared to approximately RMB719.9 million in the last year. The gross profit margin was approximately 44.9%, representing an increase of approximately 6.8% as compared to approximately 38.1% in the last year. The increase in gross profit margin was mainly because the adjustment of the internal structure of the Taizhou Xinming Peninsular, Xinming Lijiang Garden and Wenshang Times projects due to excessive provisions for construction costs has recovered approximately RMB59.3 million, which led to a decrease in cost of sales and an increase in gross profit margin.

Other income and gains

Other income and gains during the Year under Review amounted to approximately RMB3.2 million, decreased by approximately RMB160.1 million or 98.0% as compared to approximately RMB163.3 million in the last year, which was mainly due to the gain on disposal of the equity interests, investment properties and land of the wholly-owned subsidiary of the Company in the last year.

Selling and administrative expenses

During the Year under Review, the selling and administrative expenses amounted to approximately RMB131.4 million, representing a decrease of approximately RMB121.7 million or approximately 48.1% as compared to approximately RMB253.1 million in the last year, mainly due to a substantial decrease in property sold during the period which led to a decrease in sales commission and marketing costs of RMB127.3 million. On the contrary, administrative expense increased by approximately RMB7.1 million as compared to last year, mainly because of the increase in staff costs.

Other expenses

Other expenses during the Year under Review was approximately RMB37.1 million, representing a substantial decrease of approximately RMB70.3 million or 65.5% as compared to approximately RMB107.4 million in the last year which was mainly because the provision of impairment for the property held for sale was approximately RMB1.7 million representing a decrease of approximately RMB34.6 million compared to approximately RMB36.3 million last year. Meanwhile, the penalty for the sales contracts with customers in 2018 was decreased by approximately RMB30.9 million as compared to approximately RMB64.2 million last year.

Change in fair value of investment properties

During the Year under Review, the gain on change in fair value of investment properties amounted to approximately RMB67.8 million, representing an increase of approximately RMB39.6 million or 140.4% compared to the gain on change in fair value of investment properties of approximately RMB28.2 million for the last year, mainly due to the increase in fair value gains of the investment property Taizhou Wenshang • Times.

Finance costs

During the Year under Review, the net interest costs amounted to approximately RMB6.9 million, representing an increase of approximately RMB0.3 million as compared to approximately RMB6.6 million of last year.

Operating profit

During the Year under Review, the operating profit amounted to approximately RMB128.1 million, representing a decrease of approximately RMB416.1 million or approximately 76.5% as compared to approximately RMB544.2 million in the last year. The decrease was mainly due to the decrease in the revenue from property sales.

Income tax expenses

During the Year under Review, the income tax expenses amounted to approximately RMB106.6 million, representing a significant decrease of approximately RMB210.8 million or approximately 66.4% as compared to approximately RMB317.4 million in the last year, mainly due to the decrease in income tax and land appreciation tax of RMB235.9 million. On the contrary, the change of deferred tax was increased by approximately RMB25.1 million.

Profit attributable to the shareholders

During the Year under Review, the profit attributable to the shareholders amounted to approximately RMB42.9 million, representing a significant decrease of approximately RMB199.4 million or approximately 82.3% as compared to RMB242.3 million in the corresponding period of last year. The basic earnings per share amounted to approximately RMB0.02 per share, as compared to the basic earnings per share of approximately RMB0.13 per share of last year.

Cash flows

As at 31 December 2018, cash and bank deposits of the Group, including restricted cash, were approximately RMB573.3 million in aggregate (31 December 2017: approximately RMB657.7 million), representing a decrease of approximately RMB84.4 million or 12.8% mainly due to repayment of bank loan. As at 31 December 2018, an aggregate amount of bank deposits approximately RMB535,400,000 was pledged to Zhejiang Muzi Trading Company Limited. The pledged bank deposits was released on 2 January 2019. For details, please refer to the announcement of the Company dated 22 March 2019 on the website of the Stock Exchange.

Pursuant to the exclusive management and operation agreement entered into between the Company's certain commercial properties with third party purchasers, the Company is required to pay certain percentages of the selling price of the property to the purchasers regardless whether such properties leased by the Company or were for generating rental income purpose. Based on the terms of the existing exclusive management and operation agreements and lease agreements as at 31 December 2018 and for the exclusive management and operation agreement entered into by the Company, in the period from 1 January 2019 to 1 July 2019, the Group would have a maximum net cash outflow of approximately RMB22 million for year 2019, respectively. We are not obliged to pay any agreed fees for the period from 1 July 2019 to 30 June 2024 under the exclusive management and operation agreements which we had entered into as at 31 December 2015.

Borrowings

As at 31 December 2018, the total bank loans and other borrowings of the Group were approximately RMB1,967.1 million, representing a decrease of approximately RMB87.0 million as compared to approximately RMB2,054.1 million as at 31 December 2017.

The borrowings repayable within one year of the Group was approximately RMB1,266.2 million, representing an increase of approximately RMB154.0 million as compared to approximately RMB1,112.2 million as at 31 December 2017. Borrowings repayable after one year was approximately RMB700.9 million, representing a decrease of approximately RMB241.0 million as compared to approximately RMB941.9 million as at 31 December 2017.

Trade receivables, prepayments and other receivables

As at 31 December 2018, the sum of trade receivables, prepayments and other receivables of the Group were approximately RMB131.9 million, representing a decrease of approximately RMB63.6 million as compared to approximately RMB195.5 million as at 31 December 2017, mainly due to the decrease in trade receivables due to the active debt settlement.

Trade payables, contract liabilities, advances from customers and other payables

As at 31 December 2018, the sum of total trade payables, contract liabilities, advances from customers and other payables of the Group was approximately RMB1,039.5 million, representing a decrease of approximately RMB253.1 million as compared to approximately RMB1,292.6 million as at 31 December 2017. The decrease was mainly due to the large amount of trade payables being settled and the contract liabilities/advances from customers being recognised as revenue.

Assets and liabilities

As at 31 December 2018, the total assets of the Group were approximately RMB6,772.2 million, representing an increase of approximately RMB18.6 million as compared to approximately RMB6,753.6 million as at 31 December 2017. The total current assets were approximately RMB3,544.7 million, representing approximately 52.3% (31 December 2017: approximately 53.4%) of the total assets, decreased by approximately RMB64.0 million as compared to approximately RMB3,608.7 million as at 31 December 2017. However, the total non-current assets were approximately RMB3,227.5 million, representing approximately 47.7% (31 December 2017: approximately 46.6%) of the total assets, increased by approximately RMB82.6 million as compared to approximately RMB3,144.9 million as at 31 December 2017.

As at 31 December 2018, the total liabilities of the Group were approximately RMB4,681.0 million, representing an increase of approximately RMB9.5 million as compared to approximately RMB4,671.5 million as at 31 December 2017. The total current liabilities were approximately RMB3,233.0 million, representing approximately 69.1% (31 December 2017: approximately 70.8%) of the total liabilities, decreased by approximately RMB73.6 million as compared to approximately RMB3,306.6 million as at 31 December 2017. However, the total non-current liabilities were approximately RMB1,448.0 million, representing approximately 30.9% (31 December 2017: approximately 29.2%) of the total liabilities, increased by approximately RMB83.1 million as compared to approximately RMB1,364.9 million as at 31 December 2017.

As at 31 December 2018, the net current assets of the Group were approximately RMB311.7 million, representing an increase of approximately RMB9.6 million as compared to approximately RMB302.1 million as at 31 December 2017.

Current ratio

As at 31 December 2018, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 1.1: 1 (31 December 2017: 1.09:1).

Gearing ratio

As at 31 December 2018, the gearing ratio of the Group is calculated based on net debt divided by the sum of total equity and net debt. The Group's net debt consists of interest-bearing bank loans and other borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratio was 48.0% (31 December 2017: 40.2%).

Convertible bonds

Pursuant to the general mandate, on 1 June 2018, the Group issued convertible bonds in amount of HK$300 million for a term of two years. The bonds bear interest at a rate of 6.5% plus 1% handling fee per annum, and the interest is payable in arrears every half year. The bonds can be converted into shares at the conversion price of HK$1.39 per conversion share at any time on and after the issue date and up to the close of business on the business day immediately preceding the maturity date. For details, please refer to the Company's announcement dated 15 May 2018.

The convertible bonds are guaranteed by the Controlling Shareholder, Mr. Chen Chengshou and the non-executive director, Ms. Gao Qiaoqing, pursuant to a deed of guarantee, and secured by Xinxing Company Limited by 940,000,000 shares of the Company held by Xinxing Company Limited, a company controlled by Mr. Chen Chengshou.

Mr. Chen has undertaken to, for so long as any convertible bonds remains outstanding, directly or indirectly hold 50% of the entire issued share capital of the Company, and shall not directly or indirectly sell, transfer or otherwise dispose of his equity interests in the Company or any part thereof in the absence of prior written consent of the subscriber of the convertible bonds.

Significant investments

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

Material acquisitions and disposals of subsidiaries and affiliated companies

There was no material acquisition or disposal of subsidiaries and affiliated companies made by the Group during the Year under Review.

Guarantees on mortgage facilities

As at 31 December 2018, the Group provided guarantees over the mortgage loans of certain purchasers of approximately RMB28.0 million (31 December 2017: approximately RMB19.1 million).

Assets guarantees

As at 31 December 2018, the Group has pledged and restricted deposits in the bank deposits of RMB537.7 million (31 December 2017: RMB2.4 million). In addition, partial bank borrowings of the Group were secured by the Group's certain properties under development, completed properties held for sale, investment properties and the equity interest in certain subsidiaries of the Group, and jointly guaranteed by the controlling shareholder of the Group, Mr. Chen Chengshou ("Mr. Chen"), the non-executive Director, Ms. Gao Qiaoqin, the Group's related company, Xinming Group Limited, and other minority shareholders of certain subsidiaries of the Group free of charge.

Capital expenditure

During the Year under Review, the Group's total capital expenditure was approximately RMB4.4 million, mainly included construction facilities expenses (31 December 2017: approximately RMB0.1 million).

Capital commitments

As at 31 December 2018, the capital commitments related to activities of properties under development was approximately RMB27.1 million (31 December 2017: approximately RMB37.6 million).

Exposure to exchange rate fluctuations

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

Employees and remuneration policy

As at 31 December 2018, the Group has a total of 170 employees (31 December 2017: total 222 employees). The major reason of the decrease is that the completion of the Hangzhou Project and Taizhou Project results in workforce downsizing. The Group continued to promote the upgrading of talents, cultivating and recruiting excellent talents with sales and management experience, improving the allocation system of remuneration linked to performance and maintaining harmonious labor relations. The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. Moreover, the Group has also adopted a share option scheme and a share award scheme.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Chengshou, aged 53, was appointed as the executive Director, chairman, chief executive officer, chairman of nomination committee and the authorized representative of the Company on 16 January 2014. He is the founder of our Group and primarily responsible for corporate strategic planning and overall business development of our Group. Mr. Chen had over 30 years of experience in the real estate industry. He has been the chairman of the board of 台州市新明房地產開發有限公司 (Taizhou City Xinming Real Estate Development Company Limited*) since February 2007 and the director of our certain subsidiaries. Mr. Chen has been first participated in the management of the property development business in the PRC since June 2001 when he was appointed as chairman of 杭州桃源山莊房地產開發有限公司(Hangzhou Taoyuan Shanzhuang Property Development Limited*).

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

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

* *for identification purpose only*

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

Mr. Chen obtained a graduation certificate in Administrative Management (through online courses) from Huazhong University of Science and Technology (華中科技大學) in the PRC in July 2013. He obtained Executive Master degree in Business Administration from CheungKong Graduate School of Business (長江商學院) in the PRC in September 2015. Mr. Chen obtained a Master degree in Business Administration from Tsinghua University in April 2018.

Mr. Feng Cizhao, aged 44, has been appointed as an executive Director of the Company with effect from 31 October 2015.

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

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

NON-EXECUTIVE DIRECTOR

Ms. Gao Qiaoqin, aged 50, was appointed as our non-executive Director on 10 June 2014. She is responsible for advising on overall strategic planning of our Group but not participate in the day-to-day management of our Group's business operation. She has approximately 10 years of experience in the real estate industry.

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

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

* *for identification purpose only*

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fong Wo, Felix, BBS, JP, aged 68, was appointed as our independent nonexecutive Director, member of audit committee, nomination committee and remuneration committee on 8 June 2015. He is a consultant of King & Wood Mallesons, a global law firm headquartered in Asia. Mr. Fong has practiced law for over 30 years and is a member of the Law Societies of Hong Kong, Canada and England.

Mr. Fong has been serving as an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange, including Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (stock code: 337), Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (stock code: 124), Evergreen International Holdings Limited (stock code: 238), China Investment Development Limited (formerly known as Temujin International Investments Limited) (stock code: 204), Sheen Tai Holdings Group Company Limited (stock code: 1335) and Wuxi Biologics (Cayman) Inc. (stock code: 2269).From May 2010 to the end of May 2016, he also served as an independent non-executive director of China Oilfield Services Limited (stock code: 2883: HK; 601808: SHA), whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Fong is the immediate past Chairman of the Hong Kong Advisory Council on Food and Environmental Hygiene and a member of the Hong Kong Communication Authority. Mr. Fong was also an independent non-executive director of China Investment Development Limited (formerly known as Temujin International Investments Limited) (stock code: 204) from April 2011 to July 2018.

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

Mr. Gu Jiong, aged 47, was appointed as our independent non-executive Director, the chairman of remuneration committee, member of audit committee and nomination committee on 8 June 2015. He is the independent non-executive director of Chen Xing Development Holdings Limited (stock code:2286), the independent non-executive director of Ascletis Pharma Inc. (stock code:1672), the independent non-executive director of DaFa Properties Group Limited (stock code: 6111) and the independent non-executive director of Amlogic (Shanghai) Co., Ltd.. Mr. Gu has been the chief financial officer of China Media Capital, an investment fund specialized in media and entertainment investments in China and globally, and 華人文化有限責任公司(Huaren Wenhua Limited Liability Company*), an investment platform specialized for media and entertaining investment, since September 2013 and October 2015, respectively. He served as the chief financial officer in BesTV New Media Co., Ltd (stock code:600637), whose shares are listed on Shanghai Stock Exchange, from January 2010 to August 2013. He worked in UT Starcom Inc. (stock code: UTSI), whose shares are listed on NASDAQ, from April 2004 to December 2009; he served as the chief financial officer before he left the firm. Mr. Gu worked in Ernst & Young's Shanghai office from July 1995 to April 2004; he was the senior manager of the audit department when he left the firm.

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

Mr. Lo Wa Kei, Roy, aged 47, was appointed as our independent non-executive Director, a member of the Remuneration Committee, and the chairman of audit committee on 8 June 2015. Mr. Lo has extensive experience in auditing, accounting and finance. Mr. Lo is a managing partner of SHINEWING (HK) CPA Limited, which is a full service accounting and consulting firm engaged in the provision of, among others, audit and business advisory services.

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

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

* *for identification purpose only*

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Kam Chun Ying Francis, aged 52, was appointed as one of the secretaries to the Board and the Company Secretary by the Company in July 2016 and Chief Investment Officer in January 2017, mainly responsible for internal control and risk management matters, organisation of rules of procedures of Board meeting and general meeting, listing compliance supervision and keeping close investor relations and communication. Before joining the Company, Mr. Kam has been served as the qualified accountant of Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司) (stock code: 02722), a company listed on the main board of Hong Kong Stock Exchange, since 2008. He has served as the chief risk officer of Precision Technologies Group (PTG) Limited of UK since July 2013. Mr. Kam was the financial controller of TFH Management Limited in 2006, and was responsible for finance operations and corporate compliance in both the private and listed companies within that group. Between August 1986 and April 1989, Mr. Kam worked for Deloitte Touche Tohmatsu, previously known as Deloitte Haskins Sells, as a senior account assistant. He has over 20 years of experience in corporate and finance management. He has been a member of the Hong Kong Institute of Certified Public Accountants in the United Kingdom since June 1996 and a fellow of the Chartered Association of Certified Accountants since June 2001. Mr. Kam graduated from Heriot-Watt University in the United Kingdom in November 2004 with a master's degree in business administration.

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

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

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

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

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the current and continuing principal activities of the Group are property development, property investment and property leasing during the Year under Review. The principal activities and other particulars of its subsidiaries as at 31 December 2018 are set out in Note 1 to the consolidated financial statements.

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

BUSINESS REVIEW

Compliance with Laws and Regulations

Due to the nature of the business of the Group, the Directors are of the opinion that no specific laws and regulations related to environmental protection has significant impact on the operations of the Group. Environmental protection policies and performance regarding the Group are set out in "Environmental, Social and Governance Report" on pages 76 to 92.

Relationship with Employee, Customers and Suppliers

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

The PRC economy differs from the economies of most of the developed countries in many aspects, including political structure, government involvement and control of housing policies.

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

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

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

(4) Uncertainties from the environmental policies

As the Group is subject to the intensive monitoring and control from the PRC and its environmental policies related to production and operation, we shall comply with a number of environmental protection laws and regulations concerning air, water quality, waste disposal, energy consumption, public health and safety, and receive inspections from the relevant national environmental protection departments. Currently, the Group has met the national environmental protection standards. However, if the national environmental policies are adjusted with higher environmental protection standards, our investment in environmental protection will increase and that may adversely affect our results of operations. We will spare no effort in minimizing the potential adverse effects on our environmental performance despite the uncertainties from the policies and environments that are impossible to predict and our inexperience of risk management in environmental protection. The Company's current directions, measures and analyses regarding environmental policies are set out in the ESG report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year under Review are set out in the consolidated statement of comprehensive income on pages 101 to 102.

FINAL DIVIDEND

The Board did not propose to declare a final dividend for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday 18 June 2019 to Friday 21 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to attend and vote at the annual general meeting ("AGM"), all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 17 June 2019.

SEGMENT INFORMATION

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

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on pages 215 and 216, which does not constitute part of these consolidated financial statements.

ISSUED CAPITAL

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

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

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

INVESTMENT PROPERTIES

For the year ended 31 December 2018, the change of the Company and the Group's investment properties were set out in note 15 of the financial statement.

RESERVES

Movements in the reserves of the Group and the Company during the Year under Review are set out on page 192 and pages 214 to 215 and in Note 31 and Note 44 to the financial statements respectively.

CHARITABLE DONATIONS

During the Year under Review, charitable donations of the Group was approximately RMB1 million (2017: approximately RMB0.22 million).

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

MAJOR SUPPLIERS AND CUSTOMERS

The Group's top five customers accounted for 9% (2017: 8%) of the Group's total revenue and the top five suppliers accounted for 32% (2017: 67%) of the Group's total purchases for the Year under Review. In addition, the Group's largest supplier accounted for 23% (2017: 47%) of the total purchases for the Year under Review. All transactions between the Group and relevant supplies and customers were carried out on normal commercial terms.

As Mr. Zheng Xiangtian, the brother of Mr. Chen Chengshou (the chairman and chief executive officer), served as a legal representative in Yuanyang Holdings Group Share Limited Company (formerly known as 遠揚控股集團股份有限公司 (Yuanyang Holdings Group Share Limited Company*)) ("Yuanyang Holdings"), a supplier of the Group, Mr. Zheng Xiangtian is a connected person of the Company under Chapter 14A of the Listing Rules, and Yuanyang Holdings also becomes a connected person of the Company. The purchase amount from Yuanyang Holdings was RMB4,593,000 for the year ended 31 December 2018. For details, please refer to CONTINUING CONNECTED TRANSACTIONS on pages 199 to 202 of this annual report.

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

DIRECTORS

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

Executive Directors

Mr. Chen Chengshou *(Chairman and CEO)* (appointed on 16 January 2014)
Mr. Feng Cizhao (appointed on 31 October 2015)
Mr. Wong Thian Tsu Michael (appointed on 24 June 2016 and resigned on 3 October 2018)

Non-executive Director

Ms. Gao Qiaoqin (appointed on 10 June 2014)

Independent Non-executive Directors

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

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

Mr. Chen Chengshou, the executive Director of the Company, and Ms. Gu Jiong, the independent non-executive Directors of the Company, will retire from office as the Directors at the AGM and being eligible, offer themselves for re-election.

* *for identification purpose only*

SERVICE CONTRACTS OF DIRECTORS

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

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

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

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

DIRECTORS' REMUNERATION

The Directors' fees are determined by the Remuneration Committee with reference to directors' duties, responsibilities and operating results of the Company, which are subject to the review of the Board and shareholders' approval at annual general meetings. Please refer to note 8 to the Financial Statements on pages 165 to 166 of this annual report.

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

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

Long positions in the shares and underlying shares:

The Company

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

(L): represents long positions

Notes:

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

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

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

Associated corporation Xinxing Company Limited

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

Notes:

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

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

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

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

Interest in the Company

Name of substantial Shareholder	Capacity/nature of interest	Number of shares/ underlying shares	Approximate percentage of the issued share capital of the Company
Xinxing Company Limited (Note 1)	Beneficial owner	1,349,600,000	71.84%
Central Huijin Investment Ltd (Note 2)	Person having a security interest in shares	940,000,000 (long position)	50.04%
	Interest in a controlled corporation	215,827,338 (long position)	11.49%
China Construction Bank Corporation (Note 2)	Person having a security interest in shares	940,000,000 (long position)	50.04%
	Interest in a controlled corporation	215,827,338 (long position)	11.49%
Chance Talent Management Limited (Note 2)	Person having a security interest in shares	940,000,000 (long position)	50.04%
	Beneficial owner	215,827,338 (long position)	11.49%

Notes:

1. Xinxing Company Limited is wholly-owned by Mr. Chen.

2. Chance Talent Management Limited has a security interest in 940,000,000 shares of the Company and an interest in 215,827,338 underlying shares of the Company, which may be issued by the Company upon conversion of the convertible bonds issued by the Company in the principal amount of HK$300 million. Central Huijin Investment Ltd holds a 57.11% shareholding in China Construction Bank Corporation. The China Construction Bank Corporation holds a 100% shareholding in CCB International Group Holdings Limited, which in turn holds a 100% shareholding in CCB Financial Holdings Limited. CCB Financial Holdings Limited holds a 100% shareholding in CCB International (Holdings) Limited, which in turn holds a 100% shareholding in CCBI Investments Limited. CCBI Investments Limited holds a 100% shareholding in Chance Talent Management Limited. Therefore, the above entities are deemed to be interested in 940,000,000 shares and 215,827,338 underlying shares of the Company, in which Chance Talent Management Limited is interested in.

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

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

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

DEED OF NON-COMPETITION BY EXECUTIVE DIRECTORS

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

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

SHARE AWARD SCHEME

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

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

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

The Scheme will remain in force for a period of 10 years since the date of adoption of the Scheme. Early termination should be done by the Board. On 7 April 2016, the Board resolved to award 13,716,666 awarded shares ("Awarded Shares") to 150 selected participants through the deployment of the shares of the Company. All Awarded Shares have been vested to the eligible participants. For details, please refer to the announcements of the Company dated 18 February 2016 and 7 April 2016. Apart from that, the Company has not granted, exercised or cancelled any Awarded Shares.

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

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

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

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

CONTINUING CONNECTED TRANSACTIONS

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

Construction Services Framework Agreement

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

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

Engineering Services Framework Agreement

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

Accordingly, for each financial year ended 31 December 2018, the total consideration paid by the Group to Yuanyang Holdings will not exceed the annual cap of RMB19,607,678. During the Year under Review, the Company paid approximately RMB4,593,000 to Yuanyang Holdings under the Engineering Services Framework Agreement. For details, please refer to note 38 of the consolidated financial statements, the announcement and the circular of the Company dated 7 March 2017 and 28 April 2017, respectively.

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

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

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

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

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

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

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

(2) either on normal commercial terms or;

(3) in accordance with the relevant agreements; and

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

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

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

For the year ended 31 December 2018, none of the Directors was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group's businesses.

PUBLIC FLOAT

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

AUDITOR

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

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

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

Hangzhou • PRC
27 March 2019

CORPORATE GOVERNANCE REPORT

MISSION

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

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2018, the Board had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except the disclosure in "Chairman and Chief Executive Officer" below.

To the best of the Directors' knowledge, there is no information reasonably indicates that the Company has not complied with the Code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules at any time during the year ending 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by the Directors. Upon specific enquiries of all the Directors, each of them has confirmed that they complied with the required standards set out in the Model Code during the Year under Review.

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

BOARD OF DIRECTORS

Structure

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

Executive Directors

Mr. Chen Chengshou *(Chairman and Chief Executive Officer)*
Mr. Feng Cizhao

Non-executive Director

Ms. Gao Qiaoqin

Independent Non-executive Directors

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

The independent non-executive Directors (the "INEDs") represent over one-third members of the Board. The profiles of all Directors are set out on pages 23 to 26 of this annual report. Save as disclosed in this annual report, there is no other relationship among members of the Board, including financial, business, family or other material/relevant relationship. The INEDs are highly experienced professionals and businessmen with a broad range of expertise and experience in accounting, finance, legal and business management and one of them has appropriate professional accounting qualification as required by the Hong Kong Stock Exchange.

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

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

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

Assistance to Directors in Decision Making

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

Conduct of Meetings

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

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

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

For the year ended 31 December 2018, the board of director held 5 meetings in total. There was one AGM. Individual attendance of each Director and committee member at the meeting held in total is as follows:

	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Number of Meetings held	5	2	1	1	1
Executive Directors					
Mr. Chen Chengshou *(Chairman and Chief Executive Officer)*	5/5	1/1	N/A	1/1	1/1
Mr. Feng Cizhao	5/5	N/A	N/A	N/A	1/1
Mr. Wong Thian Tsu Michael (resigned on 3 October 2018)	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Ms. Gao Qiaoqin	4/5	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Gu Jiong	5/5	2/2	1/1	1/1	1/1
Mr. Lo Wa Kei, Roy	5/5	2/2	1/1	N/A	1/1
Mr. Fong Wo, Felix	5/5	2/2	1/1	1/1	1/1

Works Performed

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

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

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

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

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

Independent Non-executive Directors' Confirmation

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

Chairman and Chief Executive Officer

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

Board Committees

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

AUDIT COMMITTEE

Structure

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

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

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

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

Function

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

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

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

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

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

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

Conduct of Meetings

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

Works Performed

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

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

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

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

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

v) reviewed the performance of the properties of the Group for the year ended 31 December 2018;

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

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

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

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

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

REMUNERATION COMMITTEE

Structure

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

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

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

Function

The principal responsibilities of the Remuneration Committee are as follows:

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

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

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

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

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

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

Works Performed

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

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

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

Pursuant to code provision B.1.5 of the CG Code, the five highest paid employees during the year included one director (2017: one director), details of whose remuneration are set out in note 8 to the financial statements. Details of the remuneration for the year of the remaining four (2017: four) highest paid employees who are neither a director nor chief executive of the Company are set out in note 8 to the financial statements. During the Year under Review, the remuneration paid to the senior management fell within the following band:

	2018 **RMB'000**	2017 RMB'000
Salaries, allowances and benefits in kind	**5,149**	5,374
Equity-settled share award expense	**–**	–
Pension scheme contributions	**332**	276
	5,481	5,650

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

	2018	2017
Nil to HK$1,000,000	0	1
HK$1,000,001 to HK$1,500,000	4	2
HK$1,500,001 to HK$2,000,000	0	1
	4	4

NOMINATION COMMITTEE

Structure

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

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

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

Function

The principal responsibilities of the Nomination Committee are as follows:

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

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

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

Board Diversity Policy

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

Member	**Gender**	**Age**	**Term** *(Note)*
Mr. Chen Chengshou	Male	53	5 years and 2 months
Mr. Feng Cizhao	Male	44	3 years and 5 months
Ms. Gao Qiaoqin	Female	50	4 years and 9 months
Mr. Fong Wo, Felix	Male	68	3 years and 9 months
Mr. Gu Jiong	Male	46	3 years and 9 months
Mr. Lo Wa Kei, Roy	Male	47	3 years and 9 months

Note: till 27 March 2019

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

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

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

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

For the year ended 31 December 2018, the Board has achieved the measurable objectives in the board diversity policy.

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

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

Works Performed

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

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

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

Director Nomination Policy

The director nomination policy formulated by the Nomination Committee is as follows:

This policy aims at setting out the key selection criteria and principles of the Nomination Committee in making any such recommendations.

Selection Criteria

The Nomination Committee shall consider the following factors, which are not exhaustive and shall be used by the Board at its discretion, in assessing the suitability of the proposed candidate regarding the appointment of directors or re-appointment of any existing Board member(s):

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the business and industry;

(c) Commitment in respect of time availability, interest and attention to the businesses of the Company and its subsidiaries;

(d) the diversity of the candidates in all aspects with reference to the Company's Board Diversity Policy (as adopted and amended by the Board from time to time), including but not limited to gender, age, cultural/educational and professional background, ethnicity, professional experience, independence, skills, knowledge and length of service;

(e) in case of a candidate for an independent non-executive director of the Company, to assess: (i) the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and (ii) the guidance and requirements in relation to independent non-executive directors as set out in Code Provision A.5.5 of Appendix 14 to the Listing Rules and in the ''Guidance for Boards and Directors'' published by The Stock Exchange of Hong Kong Limited; and

(f) any other relevant factors that may be considered by the Nomination Committee or the Board from time to time at their discretion.

Nomination Procedures

The nomination procedures to select and recommend candidates for the Company's directorship could be summarised as follows:

(a) The chairman of the Nomination Committee will, upon his/her own motion or receipt of a nomination from a Board member (as the case may be), convene a meeting of the Nomination Committee or circulate a resolution in writing to the members of the Nomination Committee to consider the same in accordance with the Terms of Reference.

(b) For filling a casual vacancy to the Board or as an addition to the Board, the Nomination Committee will conduct the relevant selection process (coupled with the relevant selection criteria) to the nominated candidate and make recommendations to the Board for consideration, and the Board will then decide as to whether the nominated candidate shall be eligible to be appointed as a director of the Company.

(c) For re-election of Directors:

the Nomination Committee will conduct the relevant selection process and selection criteria to the director proposed to be re-appointed and make recommendations to the Board for consideration, and the Board will then decide as to whether the director shall be eligible to be re-appointed as a director of the Company; and

if the director proposed to be re-appointed or re-elected due to retirement by rotation under the Company's Articles of Association is an independent non-executive director of the Company who has served the Board for more than 9 years, the Nomination Committee shall also assess whether the director has remained independent in the context of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time (the "Listing Rules") and should be re-elected at the next general meeting of the Company and make recommendations to the Board for consideration. The Board will then decide as to whether the director has remained independent in the context of the Listing Rules, and if so, recommend the proposed re-appointment/re-election of the director to the Company's shareholders for consideration at the next general meeting of the Company. According to Code Provision A.4.3 of Appendix 14 to the Listing Rules, the Company's circular relating to the proposed re-appointment of such director shall include the reasons why the Board believes that the director is still independent and should be re-elected.

Information of the Candidates

The proposed candidates will be asked to submit the necessary personal information in a prescribed form by the Nomination Committee. Candidates may be required to provide additional information and documents, if deemed necessary by the Nomination Committee.

For the year ended 31 December 2018, no candidate was nominated by the Company for directorship.

Management Functions

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

(i) oversee the general operations of the Company;

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

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

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

(v) provide coherent leadership to the Company;

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

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

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

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

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

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

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

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

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

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

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

6. organize training for the Directors.

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

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

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

For the year ended 31 December 2018, the Directors also participated in the following training:

Directors	Types of training
Executive Directors	
Mr. Chen Chengshou	B
Mr. Feng Cizhao	B
Mr. Wong Thian Tsu Michael (resigned on 3 October 2018)	A, B
Non-executive Director	
Ms. Gao Qiaoqin	B
Independent Non-executive Directors	
Mr. Fong Wo, Felix	A, B
Mr. Gu Jiong	A, B
Mr. Lo Wa Kei, Roy	A, B

A: attending seminars and/or conferences and/or forums

B: reading newspapers, journals and updates relating to the latest changes and development of the economy, relevant industries, the Listing Rules, corporate governance practices, and etc.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "Dividend Policy") on 26 February 2019. The Company considers stable and sustainable returns to the shareholders of the Company as our goal. Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

(a) the Group's financial performance, cash flow position, business condition and strategic position

(b) the Group's actual and future demand for working capital and liquidity

(c) the Group's future expansion plans

(d) the Group's debt to equity ratios and the debt level

(e) the Group's retained earnings and distributable reserves

(f) the shareholders' and investors' expectation and industry's norm

(g) the general market conditions

(h) any restrictions on payment of dividends

(i) any other factors that the Board deems appropriate

In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. Pursuant to the Memorandum and Articles of the Association of the Company and all applicable laws and regulations and the factors set out below, the Board may from time to time declare payment of interim dividends or special dividends to the shareholders as appear to the Board to be justified by the financial conditions of the Company. The Company in general meeting may declare final dividends in any currency but no dividends shall exceed the amount recommended by the Board

The Board will review the Dividend Policy as appropriate from time to time.

CORPORATE GOVERNANCE REPORT

REVIEW OF ANNUAL RESULTS

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

INDEPENDENT AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the remuneration paid or payable to the Company's independent auditor, Ernst & Young, was RMB2.35 million for audit services (approximately RMB2.35 million in 2017).

For the year ended 31 December 2018, Company's independent auditor, Ernst & Young did not provide the Group any non-audit services.

SCOPE OF WORK OF ERNST & YOUNG

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

FINANCIAL REPORTING

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and objectives

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

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

The Board has delegated the work (with relevant authorities) of risk management and internal controls to the Audit Committee. For the year ended 31 December 2018, the Audit Committee, on behalf of the Board, oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Main features of the risk management and internal control systems

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

Board

- Determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;

- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and

- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

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

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- Monitors risks and takes measures to mitigate risks in day-to-day operations;
- Gives prompt responses to, and follow up the findings on risk management and internal control matters raised by the internal audit team or the external risk management and internal control review adviser; and
- Provides confirmation to the Board and Audit Committee (there is no risk management committee) on the effectiveness of the risk management and internal control systems.

Internal Control Team

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

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

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

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

Process Used to Identify, Evaluate and Manage Significant Risks

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

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

Risk Identification

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

Risk Assessment

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

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

Risk Response

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

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

Risk Monitoring and Reporting

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

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

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

To further strengthen the reviews on the effectiveness of risk and internal control systems, the Group engaged an independent professional adviser (the "Internal Control Adviser") after the reporting period to conduct internal control review on financial (including cash) management process, user management process, process for disclosable transactions, management process for connected transactions. The works above have been reported to and approved by the Audit Committee. The Group therefore considered that the Group's risk management and internal control procedures are adequate to meet the needs of the Company in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's risk management and internal control systems are inadequate.

Internal Audit Function

The internal audit department of the Company review the risk management for business activities and management behavior for the Group every half year, to identify the business risks, internal control defect, and offer improvement opinions and suggestions. During the Year under Review, the scope of review during the Year under Review included review of revenue and receipt cycle, procurement and expenditure cycle, inventory cycle, property, plant and equipment cycle, taxation cycle, financial reporting cycle, risk management system and self-assessments and proposed amendments to information disclosure policy for the Company and its subsidiaries. The Company conducted a series of specific audit and work every half year which include, among other things:

– Financial capital audit

– The special project costs includes audit for developed projects and pre-audit assessment for projects to be developed

– Resignation audit

– Project contract audit

– Receivable audit

– Evaluation for equity investment projects

– Examination and modification for internal control system

– Examination and modification for risk management system

– Business operations and risk assessments of the Company are reported to the Board on a monthly basis

Information Disclosure Policy

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

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

AUDIT COMMITTEE'S AND BOARD'S REVIEW

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

COMPANY SECRETARY

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

According to the Rule 3.29 of the Listing Rules, Mr. Kam has taken no less than 15 hours of relevant professional training for the year ended 31 December 2018.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company adopted an amended and restated memorandum and articles of association on 8 June 2015, which became effective on the Listing Date. Save as disclosed above, there had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2018.

SHAREHOLDERS' RIGHTS

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

The procedures for convening general meetings by Shareholders

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

The procedures for putting forward proposals at Shareholders' meeting

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

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

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

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

SHAREHOLDERS COMMUNICATION POLICY

1. PURPOSE

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

2. GENERAL POLICY

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

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

3. COMMUNICATION STRATEGIES

Shareholders' Enquiries

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

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

Corporate Communication

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

Corporate Website

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

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

Shareholders' Meetings

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

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

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

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

4. SHAREHOLDER PRIVACY

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

INVESTOR RELATIONS

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

Xinming China Holdings Limited (the "Company" or "Xinming China"), listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in July 2015 (stock code: 02699), together with its subsidiaries (collectively referred to as the "Group" or "we") are an integrated developer of residential and commercial properties. Currently the Group is engaged in 16 property development projects in areas such as Shanghai, Chongqing, Taizhou, Tengzhou and Hangzhou. We have a complete property development capability, with a relatively comprehensive and diversified property development portfolio.

ABOUT THE REPORT

This report is the second Environmental, Social and Governance Report (the "Report") issued by the Company. The Report provides stakeholders with a better understanding of the Group's progress and direction on sustainable development through reporting on the Group's environmental, social and governance policies, measures and performance. The Report has been prepared in both Chinese and English, and has been uploaded to the Stock Exchange and the Company's website http://www.xinm.com.cn. In the event of any conflict or inconsistency between the Chinese and English versions, the Chinese version shall prevail.

SCOPE AND DURATION OF THE REPORT

As the business in Hangzhou accounted for a large proportion of the Group's overall business in 2018, the Report will focus on the relevant projects and activities of the Group in Hangzhou during the period from 1 January 2018 to 31 December 2018 ("FY2018"), including:

- The Group's head office in Hangzhou
- Hangzhou Xinming Property Limited ("Hangzhou Xinming") Office
- Hangzhou Xinming and its property development business – Hangzhou "My Babini" ("Babini").
- Hangzhou Babini is a key project of the Group this year. This project is the first children's theme integrated commercial complex in Hangzhou. Located in the third planned city center of Hangzhou, on the edge of the canal shopping district, with a total gross floor area of 110,000 sq.m., the project covers children shopping centers, children's theme cinemas, children's hotels, children's food street, early childhood education training center and others. Hangzhou Babini creates a gorgeous children's world fashion stage through the gathering of famous brands at home and abroad to provide a new leisure lifestyle for the community and lead the fashion trend. The project is located in Gongshu District, Hangzhou City, with Jinghang Canal in the east and the water and land transportation service center of Canal in the south. The main body of the project includes a 2-storey underground garage, two 21-storey office buildings and three commercial buildings.

REPORTING STANDARDS

The report is prepared in accordance with the applicable disclosure requirements set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of corporate governance are set out in the section headed "Corporate Governance Report".

FEEDBACK ON THE REPORT

We have always believed that the valuable opinions of our stakeholders are the basis for our continuous improvement. If you have any comments or suggestions on the report and our sustainable development, please write to us at Unit 3412, 34/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

COMMUNICATION WITH STAKEHOLDERS

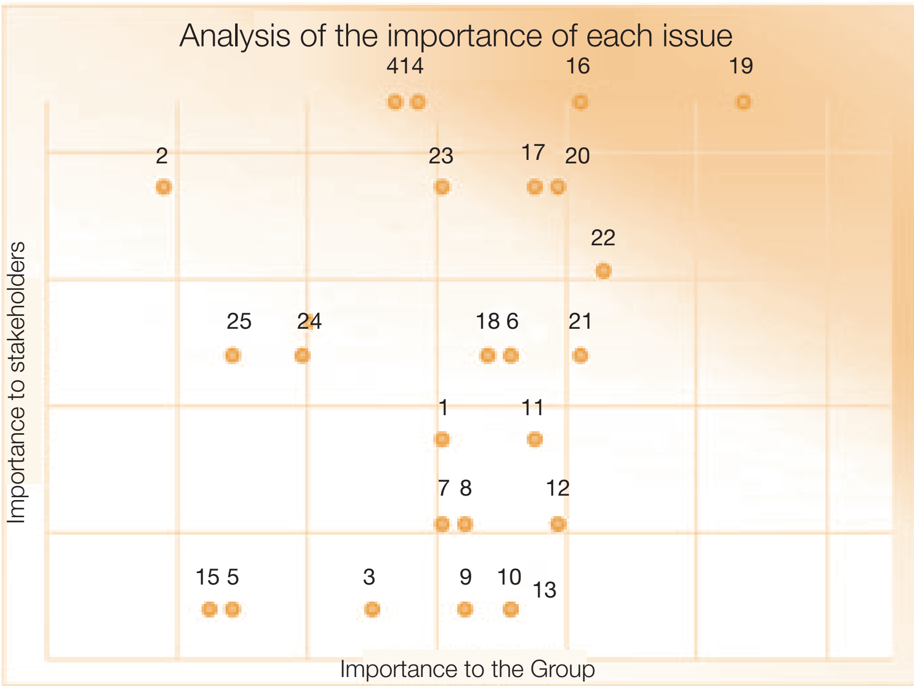
The Group is committed to continuing operations while balancing the interests of its various stakeholders, including employees, investors and shareholders, customers, suppliers/building contractors, the government and the local communities in which the Group operates. Our daily communication with stakeholders in the following ways gives us the opportunity to gain valuable advice and suggestions from our stakeholders on sustainable performance and future strategies.

Stakeholders	**Communication Channels**	
Employees	• Meeting • Training	• Staff activities • Social media
Investors and shareholders	• Shareholders meeting • Annual reports, announcements and circulars	• Group's website
Customers	• Direct communication • Social media	• E-mail • Telephone
Suppliers/building contractors	• Direct communication • On-site inspection • Meeting	• E-mail • Telephone
Government	• Reports and submissions in accordance with regulatory requirements	• Annual reports, announcements and circulars • Telephone • E-mail
Communities	• Group's website	• Mass media

ASSESSMENT OF IMPORTANCE

The Stock Exchange sets out four reporting principles in the Environmental, Social and Governance Reporting Guide: importance, quantification, balance and consistency, which should be used as a basis for the preparation of the report. According to the recommendations, the Group can grasp the broad and diverse opinions of stakeholders with their participation, and identify major environmental and social issues. During the preparation of the Report, we conducted a questionnaire survey to understand the concerns of stakeholders, and to know more about the evaluation and expectations of various stakeholders on the performance of our social responsibility in the past year, so as to help us develop the framework of this Report in response to the opinions of stakeholders.

Based on the results of the questionnaire survey, the importance matrix of the Group is set out below with the upper right corner of the matrix being the most focused issues of stakeholders. Among them, the three top issues include product safety and quality, supplier selection procedures, customer satisfaction and handling of complaint.



Employee	Environment	Operating practices and others
1 Diversified and equal opportunities	8 Sewage disposal	16 Supplier selection procedures
2 Staff turnover rate	9 Air pollutants and greenhouse gas emissions	17 Anti-fraud and corruption
3 Occupational safety and health	10 Exhaust emission	18 Disaster emergency plan
4 Training and development	11 Hazardous and non-hazardous waste disposal	19 Product safety and quality
5 Prevention of child labor and forced labor	12 Energy and water saving	20 Customer satisfaction and handling of complaint
6 Salary and employment relationship	13 Use of natural resources	21 Intellectual Property Protection
7 Employee welfare	14 Evaluation of suppliers' environmental and social performance	22 Protection for customer's sensitive and private information
	15 Carbon trading	23 Product innovation and technology development
		24 Community voluntary activities
		25 Charitable donation

ENVIRONMENTAL PROTECTION

According to the laws and regulations of China, all projects developed by us as a property developer are subject to environmental assessment and an environmental impact assessment report is required to be submitted to the relevant government authority for approval prior to the commencement of construction. The property developer is required to submit a new environmental impact assessment report for approval if the construction site or the size or nature of the established project changes significantly. We will appoint an independent third-party environmental consultant for each construction project to conduct an environmental impact assessment, and such assessment of environmental impact will be submitted to the relevant government authorities before the commencement of development. Babini project has obtained the assessment report of environmental impact required for all projects in accordance with the relevant laws and regulations of China.

During the construction process, property developers and construction companies are required to take measures to prevent air pollution, noise emissions and water and waste discharge. As our construction projects are outsourced to third-party contractors, the environmental key performance indicator data on the project could not be collected and disclosed. However, according to the terms of the construction contract, the contractor is required to comply with the relevant laws and regulations of China regarding environmental protection and safety. In addition, we regularly inspect construction sites and require our contractors to rectify any problems found in a timely manner.

And also, in accordance with the terms of the construction contract, the contractor is required to comply with relevant laws and regulations of China regarding environmental protection and safety. After the completion of the construction project, we must apply to the relevant government authorities for the acceptance of environmental issues. Only those property development projects that have passed the relevant acceptance can be delivered to the customers. Babini project has passed the inspection of environmental protection agencies, and we obtained relevant environmental assessment approvals for the properties under development. We will continue to comply with relevant environmental laws and regulations of China, and only employ construction contractors with good environmental protection and safety records.

In the process of construction, building materials may be piled up in open areas, such as yellow-sand and cement, etc., and air pollution may occur from dust. Therefore, the contractor will use a dust detector to monitor the dust data of the site, and conduct dust suppression by installing mobile sprinklers, movable fog guns, tower crane sprays and other equipment to ensure that the “five 100%”of dust prevention and control is in place, including:

- 100% closed fence at construction site
- 100% covered for exposed sand on site
- 100% hardened for site roads and stacks
- 100% cleaned for vehicles entering and leaving the site
- 100% installed with external scaffolding and dense mesh

In addition, we set up temporary solar lighting systems and air source heat pumps that are used in our construction projects during construction to reduce the need for traditional energy sources and reduce the emission of greenhouse gas. Since there is no cooling water system in the air heat pump, there is no consumption of cooling water and power consumption of cooling water system, and the risk of legionella infection caused by cooling water pollution is thereby reduced. As there is no need to use boiler and the corresponding boiler fuel supply system, dust removal system and flue gas emission system, the pollution to the environment is reduced radically.

Our greenhouse gas emissions are mainly generated from the consumption of electricity. Listed below is the main environmental data of the Group in Hangzhou area:

KPI	2018	2017	Unit
Greenhouse gas emissions			
Total emissions (Scope 1 and 2)[1]	938	684	ton CO_2 equivalent
Density	5.74	4.16	ton CO_2 equivalent/1000 m^2
Scope 1 (Direct emissions)	–	–	ton CO_2 equivalent
Scope 2 (Indirect emissions)	938	684	ton CO_2 equivalent

SEWAGE DISPOSAL

Since we outsourced the construction work to third-party contractors, we could not collect and disclose the sewage data generated during project construction. Our project Babini is designed with indoor drainage, sewage and waste separation system. Domestic sewage is treated in outdoor septic tanks. The oily wastewater from kitchens and canteens will be discharged through outdoor waste pipe after being processed by grease traps. When merged with domestic sewage, it will be discharged into the municipal sewage pipe and transported to the urban sewage treatment plant. After being processed and met the standard, it will be discharged into the Qiantang River and will not affect the canal.

1 According to the Green House Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Version) issued by the World Business Council for Sustainable Development and the World Resources Institute, Scope 1 (direct emissions) covers the greenhouse gas emissions directly generated by business owned or controlled by the Group, and Scope 2 (indirect emissions) covers the "indirect energy" greenhouse gas emissions generated from electricity, heating, refrigeration and steam consumed (purchased or acquired) within the Group.

WASTE MANAGEMENT

Construction waste and household waste are the major waste generated during the construction, which does not involve hazardous waste or packaging. The responsible persons at the construction site will pile up and timely organize cleanup and outward transportation of the construction waste and living garbage. If foundation excavation work is involved, the contractor will arrange for timely outward transportation to ensure that the temporary stack height will not exceed 1.5 meters. Since we outsourced the construction work to third-party contractors, the waste data on the construction projects could not be collected and disclosed.

The waste generated in our office is mainly non-hazardous waste, the majority of which is generated from the daily office waste paper and personal trash of employees. The non-hazardous waste generated will be recycled and disposed of by the property management office uniformly. In order to reduce paper consumption, we advocate to run a paperless office. Through the use of online platform system, a series of work such as document processing, business processing and fee application are centralized, covering sectors such as document approval, system management, file tracking, file query and authorization, which simplifies the workflow to enable employees to work more conveniently and also significantly reduces the use of printing paper and the generation of garbage, so as to work out the Company's green operation principle.

KPI	2018	2017	Unit
Waste paper volume	0.77	0.69	ton
Waste paper density	4.73	4.17	kg/1000 m^2

USE OF RESOURCES

Our main energy consumption comes from the electricity and water used in our operation. In the office, we improve the awareness of energy saving among all employees by measures such as maintaining the indoor temperature at the most comfortable level, encouraging employees to turn off idle computers and monitors, setting office machines (such as photocopiers and TV monitors) to be automatically turned off after office hours, encouraging employees to make full use of modern communication systems to avoid unnecessary business trips and posting signs that emphasize the importance of energy saving in the office. In the meantime, in order to improve resource efficiency and promote environmental protection, our Hangzhou office has put Light Emitting Diode ("LED") in use. For the purpose of reducing water consumption, we posted water-saving signs in the washrooms. In 2018, we suffered no difficulty in obtaining applicable water sources.

KPI	2018	2017	Unit
Total electricity consumption	1,332,832	971,905	kWh
Electricity consumption density	8,161	5,912	kWh/1,000m^2
Total water consumption	31,258	24,740	m^3
Water consumption density	191.39	150.49	m^3/1,000m^2

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to complying with all laws and regulations related to environmental protection, including relevant environmental protection laws and regulations such as the Environmental Protection Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China, Law of the People's Republic of China on Environmental Impact Assessment and Regulations on the Administration of Construction Project Environmental Protection. In 2018, neither have we been subject to fines or penalties for the violation of environmental laws and regulations of China, nor have we encountered any material problems in the inspections conducted by relevant environmental protection agencies after the completion of the property. We have complied with the applicable environmental laws and regulations of China in all material aspects, and we have obtained all the necessary approvals for the environmental impact assessment report of our property development projects.

SUPPLY CHAIN MANAGEMENT AND QUALITY CONTROL

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

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

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

We are responsible for directly purchasing certain construction materials such as doors and windows, air conditioning systems and elevators. Our construction materials are mainly sourced from suppliers in China. To ensure the consistency of quality, we established a database for eligible suppliers which is regularly reviewed and updated. We believe that the database will help us assess the qualifications of our suppliers and provide a useful reference for our future projects.

In addition, to ensure the quality, during the preliminary planning stage, our cost management department will establish a series of progress control indicators related to cost, quality and construction progress according to the total construction cost budget. During the construction, employees at our chief engineer office are responsible for supervising the construction quality, progress, and controlling the budget of each project. Site visits will be conducted on a monthly basis, pre-inspection of construction materials will be carried out before use in the project, and the construction progress will be supervised based on previously established progress indicators. Our chief engineer office will also review all projects under construction every year to ensure the costs, quality and progress of construction are satisfactory. Our team at chief engineer office consists of qualified engineers and construction technicians with extensive industry experience. If the performance of any external contractor is unsatisfactory, we may have to replace such contractor or take other actions to remedy the situation.

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

In 2018, the Group was not aware of any material adverse impact caused by any major suppliers on business ethics, environmental protection and labor practices.

AFTER-SALES SERVICE

Our brand is crucial to our business operation and development. Any negative events or negative publicity involving us or our properties may adversely affect our reputation and business prospect. Therefore, property quality is a matter of great concern to us. According to the Construction Project Quality Management Regulations, the Administration of Filings for Post-Construction Inspection and Acceptance of Housing Building Projects and Municipal Infrastructure Projects (《房屋建築工程和市政基礎設施工程竣工驗收備案管理辦法》) and the Interim Provisions on the Completion and Inspection and Acceptance of Housing Construction Projects and Municipal Infrastructure Projects (《房屋建築工程和市政基礎設施工程竣工驗收暫行規定》), after the completion of the property development projects, we, as a property developer, shall submit an application of housing inspection and filing to the competent property development authority of the local people's government of or above county-level where the project is located. Delivery of the property project is subject to the inspection and acceptance and the completion certificate. In the end of 2017, we have obtained the completion certificate for our Babini project and delivered such project.

In order to win the trust of our customers, a warranty period on the construction quality of the property development projects and certain equipment and facilities will be provided. All warranty periods begin on the date of delivery of the relevant property, ranging from 1 year to 5 years, depending on the type of work. According to the "Construction Project Quality Management Regulations" and related regulations, the scope of quality warranty includes foundation work, the main structure, waterproof of flooring, toilets with waterproof requirements, anti-leakage of rooms and exterior walls, heating and cooling systems, drainage pipes, equipment installation and renovation projects, etc. We will not provide warranty for defects caused by third parties or improper use and defects caused by natural disasters. Our construction contractors shall bear responsible for assuming the costs associated with the quality standards and related maintenance works.

In 2018, we were neither involved in any material claims nor received any complaints due to the fact that the quality of our building structures or other equipment failed to be remedied by the relevant contractors under the warranty provisions of their respective contracts.

COMPLIANCE PROMOTION

We are strictly in compliance with the Advertising Law of the People's Republic of China and related laws and regulations and the Interim Measures for the Administration of Internet Advertising of the People's Republic of China (《中華人民共和國互聯網廣告管理暫行辦法》) and related laws and regulations. We review the property advertising contents to ensure that the property information is true, and that all sales brochures are subject to the approval of the relevant government department before release. We also set limits on access to customers' personal information and strictly prohibit employees from disclosing such personal information without authorization.

In 2018, the Group was not aware of any material violation of the relevant laws and regulations that have a significant impact on the health and safety, advertising, labeling and privacy of the products provided by the Group and the remedial methods.

EMPLOYMENT

We firmly believe that employees are the most significant and valuable assets of the Group and the mainstays of its sustainable development. In order to effectively attract and retain talents, we endeavor to establish and maintain an equal and diversified workplace culture, offer competitive remuneration and benefits to employees and improve the career development ladder, as well as take care of their physical and mental health to ensure that each employee is treated and respected fairly.

Remuneration

- ➢ Remuneration is reviewed on a yearly basis and based on the comprehensive qualifications of employees such as their academic qualifications, work experience, capability and job responsibilities. Competitive remuneration package will be offered after taking the remuneration level of the peer industry into consideration.
- ➢ We distribute annual bonus and set up a share incentive scheme for employees based on their efforts and performance to motivate their enthusiasm.

Benefits	➢ We provide various benefits, including allowances for meal, communication, festivals and holidays, etc. ➢ We arrange reasonable working hours and holidays, and offer a variety of holidays including annual leave, maternity leave and work-related injury leave to further meet the individual needs of the employees. ➢ We organize birthday celebrations and picnicking on a non-regulan basis for staff to assist them in balancing work and life, and enhancing their sense of belonging and team spirit.
Recruitment	Recruitment and promotion procedures for all employees of the Group are conducted in a fair and open manner; employees are recognized and rewarded based on their performance and skills, and the relevant results will not be affected by any discrimination incurred by factors such as age, gender, physical or mental health, marital status, family status, race, skin color, nationality, religion and political faction.
Dismissal	The resignation application submitted by an employee due to his/her own reasons shall be subject to the approval of the head of department; if an employee tenders resignation, he/she shall submit a written application 30 days in advance; if an employee is not competent for his/her position for any reason, the Group may dismiss such employee with at least 30 days' prior written notice.
Promotion	We regularly review and assess the performance and development of employees to ensure that employees who have achieved outstanding performance and are eligible for promotion are given fair and equitable opportunities for promotion and/or remuneration adjustment.

COMPLIANCE WITH LAWS AND REGULATIONS

We strictly abide by the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Social Insurance Law of the People's Republic of China and other employment laws and regulations. In 2018, the Group was not aware of any material violation of employment laws and regulations.

In 2018, the Group employed a total of 49 (2017:60) employees in Hangzhou, and the breakdown is as follows:

KPI	2018	2017	Unit
By gender			
Male	21	30	Number of individuals
Female	28	30	Number of individuals
By contract type			
Full-time	49	57	Number of individuals
Part-time	–	3	Number of individuals
By employment type			
Senior management	13	11	Number of individuals
Middle management	9	14	Number of individuals
General and technical personnel	27	35	Number of individuals
By age			
21-30	11	14	Number of individuals
31-40	25	30	Number of individuals
41-50	9	11	Number of individuals
51-60	4	4	Number of individuals
Over 60	–	1	Number of individuals

HEALTH AND SAFETY

The Group complies with the Labor Law of the People's Republic of China and the Law on Protection of Labor Rights and other applicable laws and regulations, and strives to minimize the occurrence of work-related incidents and illnesses. Although we outsourced the construction of all projects to qualified third-party construction contractors who assume most of the safety responsibility, we, as a property developer, also face potential responsibilities. In order to manage better health and safety issues in our operation, our employee handbook contains issues related to work safety and occupational health as health and safety guidance for employees.

We provide safety training and occupational risk assessment to employees to enhance their awareness and reduce the possibility of work-related incidents. All project workers are required to participate mandatorily in health and safety training, covering various issues involved in different phases of the project, including safe use of lifting appliances, high-altitude operation, manual operation, safety management and site management, etc. Given the nature of the work, workers are required to wear appropriate personal protective equipment. Workers are not allowed to operate machines or carry out high-risk operations without the approval of the supervisor, and operation workers shall pass the relevant examination and get on the job with a certificate. To ensure the safety of employees, we also require contractors to strictly abide by a set of clear health and safety standards to avoid casualties on the site. We also keep closely in touch with contractors and set up a civilized construction management team, regularly inspect health and safety to ensure all health and safety measures are properly implemented.

In 2018, the Group did not record any major safety incident or work-related death in Hangzhou.

DEVELOPMENT AND TRAINING

We believe that highly qualified employees who value our corporate culture are key to our sustainable development in the future. We continue to attract, retain and motivate skillful and talented employees through various measures, including different training courses, competitive remuneration packages and effective performance appraisal and incentive system. We adopt diversified training methods, including:

Induction training	We provide the induction training to guide new employees to quickly understand our corporate culture and business history, master basic knowledge of the job, workflow and insight on their career planning, etc.
On-the-job training	We established Xinming Business School (新明商學院) in cooperation with the Advanced Training Center of College of Economics, Zhejiang University and provide professional skills training to employees holding various positions every year.
Online training	We founded Xinming Enterprise Network College (新明企業網絡學院), and employees of all departments can log in and study with the aid of computer and mobile phone at any time. Online training has changed the traditional training mode, allowing employees to study flexibly in their spare time.
External training	We will assign our staff for external training based on their job functions or development needs, and send our staff for visiting based on the business needs or management study. Meanwhile, we also provide training allowance to encourage employees to attend different training courses to enhance their work-related skills and knowledge.

LABOR STANDARDS

We strictly comply with the Labor Law of the People's Republic of China, the Labor Law Contract of the People's Republic of China, Provisions on Prohibition of Child Labor and other laws and regulations, adhere to legal and normative employment and establish necessary collection and approval process of recruitment information to ensure that labor standards are implemented. In order to protect children's rights of safety and health, the Group is resolute not to recruit employees under the age of 18 nor child labors under the age limit as restricted by local laws and regulations. Applicants are required to provide valid identification documents for confirming actual age at the time of recruitment by our human resources department. We did not employ any child labor during the reporting period.

Meanwhile, the working hours of employees one recorded in the Employee Handbook of the Group. To maintain the health of employees, forced labor of any nature is not allowed, and involuntary servitude or contractual labor, and corporal punishment or incarceration with violence are strictly prohibited. In principle, the Company does not advocate overtime work. An employee shall submit overtime work application to the relevant person in charge if the actual work requires, and the human resources department should also be informed to prevent the occurrence of forced overtime work. Overtime compensation shall be paid in accordance with local laws and regulations.

In 2018, the Group was not aware of any material violation of the laws and regulations related to the prohibition on the employment of child labor or forced labor of the Group.

ANTI-CORRUPTION

The Group strictly complies with the laws and regulations related to anti-fraud and clean business establishment in the course of operation, including the Criminal Law of the People's Republic of China, Law against Unfair Competition of the People's Republic of China, Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and other relevant laws and regulations. We establish a code of conduct to regulate the daily work behavior of employees and to enhance their awareness of compliance with law and integrity and self-discipline. Any corruption and bribery behavior in work and business dealings is prohibited. Once we identify risks of corruption and fraud, we will immediately organize an investigation and make punishment on fraud. We will report the illegality to judicial authority in accordance with the law once it is identified. The rectification measures will be formulated after investigation to effectively strengthen the anti-corruption and fraud work.

In 2018, the Group was not aware of any violations related to bribery, extortion, fraud and money laundering that may have a significant impact on the Group.

INFORMATION PRIVACY

The Group respects the information privacy of employees, suppliers, business partners and customers. We are committed to protecting the information privacy of individual and business. We fully comply with the provisions of the Constitution of the People's Republic of China, General Principles of Civil Law of the People's Republic of China, Tort Liability Law of the People's Republic of China(《中華人民共和國侵權責任法》) relating to the protection of personal information to protect customers' privacy, business secret and customers' interest.

In 2018, the Group has not received any complaint incurred by property intellectual rights infringement and customer information leakage.

COMMUNITY CONNECTION

We are pleased to provide support to the needy and the underprivileged. The management is committed to encouraging the staff to contribute to the improvement of the society by participating in community activities, and the management and staff of the Company are all pleased and willing to assist and support local and neighboring communities.

INDEPENDENT AUDITORS' REPORT

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

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

OPINION

We have audited the consolidated financial statements of Xinming China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 101 to 215, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Provision for completed properties held for sale and properties under development	
As at 31 December 2018, completed properties held for sale and the related impairment provision amounted to approximately RMB763 million and RMB36 million, properties under development amounted to approximately RMB1,124 million, respectively. The balance of the provision was material to the financial statements. The assessment was made by management in evaluating whether the carrying values were lower than the net realizable values of completed properties held for sale and properties under development. The management involved the external appraiser to assess the net realizable values when impairment indicators occurred for completed properties held for sale and properties under development. The related accounting policies and disclosures are included in notes 2.4, 3, 17 and18 to the consolidated financial statements.	We checked management's assessment of impairment indicators against historical information and turnover rate. We evaluated the competency and objectivity of the external appraiser engaged by the Company. We involved our internal valuation experts to assist us in the assessment of the methodology and key valuation parameters adopted by the external appraiser for completed properties held for sale and properties under development. We also assessed whether the estimated selling prices were based on the existing contracts or based on the comparable properties in the market. Furthermore, we evaluated management's estimation methodology about future cost of completion of properties under development. We also assessed the adequacy and completeness of the relevant disclosures in the notes to the Group's financial statements.

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties As at 31 December 2018, investment properties amounted to approximately RMB3,126 million, and represented 46% of the total assets of the Group, which were material to the financial statements. Investment properties of the Group were stated at fair value and the changes in fair values of investment properties were recorded in profit or loss. It was the Group's policy that investment properties valuations should be performed by an external appraiser twice a year. The valuation of the investment properties involved significant judgement. The accounting policies and disclosures for the valuation of investment properties are included in notes 2.4, 3 and 15 to the consolidated financial statements.	We assessed the objectivity, competence, independence and expertise of the external appraiser engaged by the Company. We involved our internal valuation specialists to assist us in the assessment of valuation approach and the key assumptions used, which included the market monthly rental rate, term yield, reversion yield, long term vacancy rate, discount rate. We also tested the underlying key estimations and assumptions through enquiry with management and by selecting samples to check against historical information and open market information. We also assessed the adequacy and completeness of the relevant disclosures in the notes to the Group's financial statements.

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Provision for land appreciation tax ("LAT") The subsidiaries of the Group that are engaged in property development are subject to land appreciation tax ("LAT"). For the year ended 31 December 2018, a LAT provision of approximately RMB50 million was estimated and recorded in accordance with the relevant PRC tax laws and regulations, which was material to the financial statements. LAT provision was based on the estimation and judgement of the management understanding on the tax laws and regulations. Furthermore, it could only be finalised upon the completion of the relevant property development projects and the final determination of tax by the tax authorities. The accounting policies and disclosures for the provision for LAT are included in notes 3 and 10 to the consolidated financial statements.	We obtained an understanding of the key management controls related to LAT provision. We involved our internal tax specialists to assist us in the assessment of LAT provision prepared by the management, including the estimates and assumptions used by management. We also recalculated LAT provision by testing the underlying data, including estimated total sales, properties development cost, borrowing cost and tax rates used to evaluate LAT provision. We also assessed the adequacy and completeness of the relevant disclosures in the notes to the Group's financial statements.

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of convertible bonds On 1 June 2018, the Company issued convertible bonds (the "Convertible Bonds") with a principal amount of HK$300 million for cash consideration. The entire Convertible Bonds were classified as financial liabilities at fair value through profit or loss. Complex accounting treatments, and significant management judgements and estimates are involved in the initial recognition and subsequent measurement of the Convertible Bonds. To assist with management's determination of the fair value of the Convertible Bonds, the Group engaged an external valuer. Disclosures of the Convertible Bonds are included in note 28 to the consolidated financial statements.	We read the terms of the Convertible Bonds and assessed whether the Group's accounting policy complied with the requirements of IFRS. We also considered the objectivity, independence and competency of the external valuer. In addition, we involved our internal valuation specialists in evaluating the assumptions and methodologies used by the Group in the fair value measurement of the convertible bonds. Besides, we reviewed the adequacy and completeness of the relevant disclosures in the notes to the Group's financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 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.

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**624,771**	1,888,193
Cost of sales		**(344,117)**	(1,168,338)
Gross profit		**280,654**	719,855
Other income and gains	5	**3,187**	163,308
Selling and distribution costs		**(44,023)**	(172,762)
Administrative expenses		**(87,372)**	(80,321)
Impairment losses on financial assets, net		**(8,359)**	–
Other expenses		**(37,068)**	(107,364)
Changes in fair value of investment properties		**67,785**	28,159
Changes in fair value of convertible bonds		**(39,897)**	–
Finance costs	6	**(6,856)**	(6,626)
PROFIT BEFORE TAX	7	**128,051**	544,249
Income tax expense	10	**(106,596)**	(317,441)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**21,455**	226,808
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		**–**	1,842
PROFIT FOR THE YEAR		**21,455**	228,650
ATTRIBUTABLE TO:			
Owners of the parent		**42,912**	242,278
Non-controlling interests		**(21,457)**	(13,628)
		21,455	228,650
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit for the year (RMB)		**0.02**	0.13
– For profit from continuing operations (RMB)		**0.02**	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	**21,455**	228,650
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(1,245)**	–
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(1,245)**	–
TOTAL COMPREHENSIVE INCOME	**20,210**	228,650
ATTRIBUTABLE TO:		
Owners of the parent	**41,667**	242,278
Non-controlling interests	**(21,457)**	(13,628)
	20,210	228,650

Director

Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,852**	6,918
Equity investments designated at fair value through other comprehensive income	14	**–**	–
Available-for-sale investments	14	**–**	1,500
Investment properties	15	**3,125,600**	3,053,776
Deferred tax assets	16	**96,045**	82,659
Total non-current assets		**3,227,497**	3,144,853
CURRENT ASSETS			
Properties under development	17	**1,124,891**	1,031,980
Completed properties held for sale	18	**1,691,874**	1,693,261
Trade receivables	19	**3,318**	74,073
Prepayments and other receivables	20	**128,612**	121,401
Tax recoverable		**22,757**	30,366
Restricted deposits	21	**537,739**	2,402
Cash and cash equivalents	21	**35,515**	655,256
Total current assets		**3,544,706**	3,608,739
CURRENT LIABILITIES			
Trade payables	22	**235,365**	348,833
Other payables and accruals	23	**586,422**	556,865
Contract liabilities	24	**217,762**	–
Advances from customers		**–**	386,927
Due to other related parties	38	**5,877**	18,647
Interest-bearing bank loans and other borrowings	25	**1,266,230**	1,112,201
Provisions	26	**1,168**	1,098
Tax payable	27	**920,180**	882,069
Total current liabilities		**3,233,004**	3,306,640
NET CURRENT ASSETS		**311,702**	302,099
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,539,199**	3,446,952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	25	**700,844**	941,850
Provisions	26	**–**	1,032
Financial liabilities at fair value through profit or loss	28	**284,913**	–
Other liabilities	29	**–**	4,446
Deferred tax liabilities	16	**462,286**	417,578
Total non-current liabilities		**1,448,043**	1,364,906
NET ASSETS		**2,091,156**	2,082,046
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**14,880**	14,880
Reserves	31	**1,985,989**	1,953,601
		2,000,869	1,968,481
Non-controlling interests		**90,287**	113,565
TOTAL EQUITY		**2,091,156**	2,082,046

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium* RMB'000	Merger reserve* RMB'000 (Note 31)	Capital reserve* RMB'000 (Note 31)	Reserve regarding share award scheme* RMB'000 (Note 31)	Financial assets at fair value through other comprehensive income reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1 January 2017	14,880	496,155	81,491	(29,262)	4,533	-	1,192,358	1,760,155	180,385	1,940,540
Acquisition of non-controlling interests	-	-	-	(34,308)	-	-	-	(34,308)	(53,192)	(87,500)
Disposal of a subsidiary	-	-	-	356	-	-	-	356	-	356
Profit and other comprehensive income for the year	-	-	-	-	-	-	242,278	242,278	(13,628)	228,650
At 31 December 2017	14,880	496,155	81,491	(63,214)	4,533	-	1,434,636	1,968,481	113,565	2,082,046
Effect of adoption of IFRS 15, net of tax (note 2.2)	-	-	-	-	-	-	(8,897)	(8,897)	(1,821)	(10,718)
Effect of adoption of IFRS 9, net of tax (note 2.2)	-	-	-	-	-	(255)	(127)	(382)	-	(382)
At 1 January 2018 (restated)	**14,880**	**496,155**	**81,491**	**(63,214)**	**4,533**	**(255)**	**1,425,612**	**1,959,202**	**111,744**	**2,070,946**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**42,912**	**42,912**	**(21,457)**	**21,455**
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**	**(1,245)**	**-**	**(1,245)**	**-**	**(1,245)**
At 31 December 2018	**14,880**	**496,155**	**81,491**	**(63,214)**	**4,533**	**(1,500)**	**1,468,524**	**2,000,869**	**90,287**	**2,091,156**

* These reserve accounts comprise the consolidated reserves of RMB1,985,989,000 (2017: RMB1,953,601,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**128,051**	544,249
From a discontinued operation		**–**	1,842
Adjustments for:			
Depreciation		**1,381**	2,563
Changes in fair value of investment properties	7	**(67,785)**	(28,159)
Changes in fair value of convertible bonds		**39,897**	–
Foreign exchange gain or loss		**(223)**	22
Bank interest income	7	**(740)**	(582)
Gain on disposal of items of property, plant and equipment	7	**(349)**	(15)
Gain on disposal of an investment property	7	**–**	(90,336)
Gain on disposal of a property under development	7	**–**	(43,961)
Gain on disposal of a subsidiary	7	**–**	(28,046)
Provision for impairment of properties under development	7	**–**	36,259
Provision for impairment of completed properties held for sale	7	**1,662**	–
Realisation of onerous operating leases	7	**(1,098)**	(1,599)
Provision for impairment of trade receivables	7	**2,046**	4,666
Provision for impairment of financial assets included in prepayments and other receivables	7	**6,313**	–
Finance costs	6	**6,856**	6,626
		116,011	403,529

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Decrease in trade receivables	**68,709**	2,963
(Increase)/decrease in prepayments and other receivables	**(11,668)**	3,885
Decrease in contract liabilities	**(195,705)**	(260,368)
Decrease in trade payables	**(113,468)**	(359,485)
Decrease in other liabilities	**(4,446)**	(12,712)
Increase in other payables and accruals	**69,222**	75,204
Decrease in properties under development and completed properties held for sale	**167,025**	732,298
Increase in investment properties	**(4,039)**	–
Decrease in amounts due from other related parties	**–**	27,525
(Decrease)/increase in amounts due to other related parties	**(12,770)**	10,253
Decrease in restricted deposits	**63**	500,680
Cash generated from operations	**78,934**	1,123,772
Tax paid	**(25,981)**	(122,753)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**52,953**	1,001,019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(372)**	(111)
Proceeds from disposal of items of property, plant and equipment	**407**	108
Proceeds from disposal of an investment property	**–**	138,733
Proceeds from disposal of a property under development	**–**	81,180
Disposal of subsidiaries	**–**	(710)
Purchase of an available-for-sale investment	**–**	(1,500)
Bank interest income	**740**	582
Increase in restricted deposits	**(535,400)**	–
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	**(534,625)**	218,282

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of convertible bonds	**245,016**	–
Interest paid	**(254,681)**	(146,302)
New interest-bearing bank loans and other borrowings	**960,000**	1,007,000
(Increase)/decrease in other receivables	**(1,983)**	64,788
Increase in other payables	**32,833**	7,286
Acquisition of non-controlling interests	**(72,500)**	–
Repayment of interest-bearing bank loans and other borrowings	**(1,046,977)**	(1,962,408)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(138,292)**	(1,029,636)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(619,964)**	189,665
Cash and cash equivalents at beginning of year	**655,256**	465,613
Effect of foreign exchange rate changes, net	**223**	(22)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**35,515**	655,256

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company is investment holding. The Group were mainly involved in property development and property leasing during the year. In the opinion of the directors of the Company, the ultimate holding company of the Company is Xinxing Company Limited. The ultimate controlling shareholder of the Group is Mr. Chen Chengshou (the "Controlling Shareholder").

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of company	Date and place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinming Capital Limited*1 ("Xinming Capital")	17 January 2014 The British Virgin Islands	US$50,000	100%	–	Investment holding
Xinming China Investment Limited*2 ("Xinming Hong Kong")	4 February 2014 Hong Kong	HK$1,000,000	–	100%	Investment holding
Hangzhou Times Enterprise Management Consulting Limited*3 ("Hangzhou Times")	9 April 2014 PRC/Mainland China	RMB30,000,000	–	100%	Investment holding
Xinming Group Holding Limited*4 ("Xinming Group")	5 November 2012 PRC/Mainland China	RMB50,000,000	–	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name of company	Date and place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Taizhou City Xinming Real Estate Development Company Limited*4 ("Taizhou Xinming")	12 February 2007 PRC/Mainland China	RMB10,000,000	–	100%	Property development
Taizhou Xinming Property Investment Limited*4 ("Taizhou Investment")	12 September 2008 PRC/Mainland China	RMB30,000,000	–	100%	Property development and property investment
Taizhou Wenshang Times Property Limited*4 ("Wenshang Times")	13 January 2010 PRC/Mainland China	RMB50,000,000	–	100%	Property development and property investment
Shanghai Xinming Global Property Limited*4 ("Shanghai Xinming")	29 April 2011 PRC/Mainland China	RMB50,000,000	–	79%	Property development and property investment
Chongqing Xinming Property Company Limited*4 ("Chongqing Xinming")	16 November 2012 PRC/Mainland China	RMB100,000,000	–	95%	Property development and property investment
Shandong Xingmeng Property Limited*4 ("Shandong Xingmeng")	24 October 2011 PRC/Mainland China	RMB50,000,000	–	75%	Property development and property management
Hangzhou Xinming Property Investment Limited*4 ("Hangzhou Xinming")	28 March 2014 PRC/Mainland China	RMB50,000,000	–	100%	Property development and property management
Zhejiang Rongyi Business Management Limited*4 ("Zhejiang Rongyi")	21 October 2015 PRC/Mainland China	RMB10,000,000	–	65%	Business management

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name of company	Date and place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Rongkun Business Management Limited*4 ("Shanghai Rongkun")	26 January 2016 PRC/Mainland China	RMB5,000,000	–	65%	Business management
Shanghai Jiaren Investment Management Limited*4 ("Shanghai Jiaren")	23 February 2016 PRC/Mainland China	RMB10,000,000	–	100%	Investment management
Taizhou Jinshang Industrial Corporation Limited*4 ("Taizhou Jinshang")	1 December 2017 PRC/Mainland China	RMB130,000,000	–	100%	Industrial investment

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

1 Registered as a limited liability company under BVI law.

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

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

4 Registered as limited liability companies under PRC law.

2.1 BASIS OF PREPARATION

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

BASIS OF CONSOLIDATION

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (Continued)

BASIS OF CONSOLIDATION (Continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Except for amendments to IFRS 4 and *Annual Improvements IFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (continued)

Classification and measurement

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

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

		IAS 39 measurement			IFRS 9 measurement		
	Notes	Category	Amount	re-classification	ECL	Amount	Category
			RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets							
Equity investments designated at fair value through other comprehensive income		N/A	–	1,500	(255)	1,245	FVOCI[1] (equity)
From: Available-for-sale investments	(i)			1,500	–		
Available-for-sale investments		AFS[2]	1,500	(1,500)	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)			(1,500)	–		
Trade receivables	(ii)	L&R[3]	74,073	–	–	74,073	AC[4]
Financial assets included in prepayments and other receivables		L&R	85,451	–	(127)	85,324	AC
Restricted deposits		L&R	2,402	–	–	2,402	AC
Cash and cash equivalents		L&R	655,256	–	–	655,256	AC
			818,682	–	(382)	818,300	
Financial liabilities							
Trade payables		AC	348,833	–	–	348,833	AC
Financial liabilities included in other payables and accruals		AC	457,153	–	–	457,153	AC
Interest-bearing bank loans and other borrowings		AC	2,054,051	–	–	2,054,051	AC
Due to other related parties		AC	18,647	–	–	18,647	AC
Total liabilities			2,878,684	–	–	2,878,684	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (continued)

Classification and measurement (Continued)

[1] FVOCI: Financial assets at fair value through other comprehensive income

[2] AFS: Available-for-sale investments

[3] L&R: Loans and receivables

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

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The gross carrying amounts of the trade receivables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.2(c) to the financial statements.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9.

Recurring fair value measurement for:	**Impairment allowances under IAS 39 at 31 December 2017**	**Re-measurement**	**ECL allowances under IFRS 9 at 1 January 2018**
	RMB'000	RMB'000	RMB'000
Available-for-sale investments under IAS 39/ debt investments at fair value through other comprehensive income under IFRS 9	–	255	255
Trade receivables	20,934	–	20,934
Financial assets included in prepayments and other receivables	–	127	127
	20,934	382	21,316

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (continued)

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits RMB'000
Fair value reserve under IFRS 9 (available-for-sale investment revaluation reserve under IAS 39)	
Balance as at 31 December 2017 under IAS 39	–
Remeasurement of equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	(255)
Balance as at 1 January 2018 under IFRS 9	(255)
Retained profits:	
Balance as at 31 December 2017 under IAS 39	1,434,636
Recognition of expected credit losses for financial assets included in prepayments and other receivables under IFRS 9	(127)
Balance as at 1 January 2018 under IFRS 9	1,434,509

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (continued)

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

	Notes	**Increase/ (decrease)** RMB'000
Assets		
Properties under development	(i)	12,249
Deferred tax assets	(iii)	3,573
Total assets		15,822
Liabilities		
Advances from customers	(i)	(386,927)
Contract liabilities	(i), (ii)	413,467
Total liabilities		26,540
Equity		
Retained profits	(i), (iii)	(8,897)
Non-controlling interests	(i), (iii)	(1,821)
		(10,718)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (continued)

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

	Notes	Amounts prepared under		
		IFRS 15	Previous IFRS	Increase/ (decrease)
		RMB'000	RMB'000	RMB'000
CONTINUING OPERATIONS				
Revenue	(i)	624,771	591,999	32,772
Cost of sales	(i)	(344,117)	(328,839)	(15,278)
Gross profit		280,654	263,160	17,494
Profit before tax from continuing operations		128,051	117,278	10,773
Income tax credit	(ii)	(106,596)	(103,903)	(2,693)
Profit for the year from continuing operations		21,455	13,375	8,080
Profit for the year		21,455	13,375	8,080
Attributable to:				
Owners of the parent		42,912	35,843	7,069
Non-controlling interests		(21,457)	(22,468)	1,011
		21,455	13,375	8,080
Earnings per share attributable to ordinary equity holders of the parent				
Basic and diluted				
– For profit for the year		0.02	0.02	–
– For profit from continuing operations		0.02	0.02	–

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (continued)

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Notes	IFRS 15 RMB'000	Previous IFRS RMB'000	Increase/ (decrease) RMB'000
Properties under development	(i)	1,124,891	1,120,940	3,951
Completed properties held for sale	(i)	1,691,874	1,688,118	3,756
Deferred tax assets	(iii)	96,045	95,165	880
Total assets		6,772,203	6,763,616	8,587
Advances from customers	(ii)	–	206,537	(206,537)
Contract liabilities	(i), (ii)	217,762	–	217,762
Total liabilities		4,681,047	4,669,822	11,225
Retained profits	(i), (iii)	1,468,524	1,470,352	(1,828)
Non-controlling interests	(i), (iii)	90,287	91,097	(810)
Total equity		2,091,156	2,093,794	(2,638)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (continued)

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

(i) Financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service is more than one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant. Accordingly, the adoption of IFRS 15 resulted in the increase of properties under development of RMB12,249,000 and contract liabilities of RMB26,540,000 as at 1 January 2018, respectively, which resulted in a decrease in retained profits of RMB8,897,000 and a decrease in non-controlling interests of RMB1,821,000.

As at 31 December 2018, the adoption of IFRS 15 resulted in a increase in properties under development of RMB3,951,000 and an increase in contract liabilities of RMB11,225,000, respectively.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as advances from customers. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB386,927,000 from advances from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB217,762,000 was reclassified from advances from customers to contract liabilities in relation to the consideration received from customers in advance for the sale of properties.

(iii) Other adjustments

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC-Int 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

RELATED PARTIES

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RELATED PARTIES (Continued)

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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

Plant and machinery	19%
Furniture and office equipment	19.0% to 49.4%
Motor vehicles	9.9% to 32.9%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENT PROPERTIES

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

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

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

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

PROPERTIES UNDER DEVELOPMENT

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPLETED PROPERTIES HELD FOR SALE

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

LEASES

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) (Continued)

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

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

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

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

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

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (Continued)

General approach (Continued)

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (Continued)

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (Continued)

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings, financial liabilities at fair value through profit or loss and amounts due to other related parties.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (policies under IFRS 9 applicable from 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (Continued)

Loans and borrowings

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

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

Financial guarantee contracts (policies under IFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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

CASH AND CASH EQUIVALENTS

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

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

PROVISIONS

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX (Continued)

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

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

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

GOVERNMENT GRANTS

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (APPLICABLE FROM 1 JANUARY 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, 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 between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of properties

Revenues are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (APPLICABLE FROM 1 JANUARY 2018) (Continued)

Sale of properties (Continued)

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (APPLICABLE BEFORE 1 JANUARY 2018)

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

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

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts (applicable before 1 January 2018)" below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services (applicable before 1 January 2018)" below;

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

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

(f) dividend income, when the shareholders' right to receive payment has been established.

CONTRACT LIABILITIES (APPLICABLE FROM 1 JANUARY 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

SHARE-BASED PAYMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENTS (Continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENTS (Continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

OTHER EMPLOYEE BENEFITS

Pension scheme

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

BORROWING COSTS

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

DIVIDENDS

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

JUDGEMENTS

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

Sales and leaseback transactions

The Group entered into a number of contracts or agreements in respect of sale and leaseback with certain property buyers for the purpose of leasing such properties to third party tenants. In assessing whether sale and leaseback transaction results in an operating lease or a finance lease, the management of the Group considers many factors including the sales price of the properties, the lease terms and the length of the lease period. Based on the assessment, the Group considers that the arrangements result in operating leases. The determination is subject to judgement on the factors and circumstances. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

Classification between investment properties and completed properties held for sale

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

JUDGEMENTS (Continued)

Withholding tax arising from the distribution of dividends

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

ESTIMATION UNCERTAINTY

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

Provision for expected credit losses on trade receivables and financial assets included in prepayments and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and financial assets included in prepayments and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 19 and note 20 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

ESTIMATION UNCERTAINTY (Continued)

Provision of properties under development and completed properties held for sale

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

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

PRC land appreciation tax ("LAT")

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

Impairment of non-financial assets (other than goodwill)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation on the fair value of investment properties

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

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amounts of investment properties at 31 December 2018 and 2017 were RMB3,125,600,000 and RMB3,053,776,000, respectively.

Provisions

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

The carrying amount of the provisions at 31 December 2018 was RMB1,168,000 (2017: RMB2,130,000). More details are given in note 26 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses was RMB58,181,000 (2017: RMB23,090,000). Further details are contained in note 16 to the financial statements.

Fair value of the convertible bonds

The fair value of the Convertible Bonds have been valued based on a valuation technique of binomial model that incorporates various market inputs including risk-free rate, volatility, liquidity discount and risky discount rate, and hence they are subject to uncertainty The fair value the Convertible Bonds at 31 December 2018 was RMB284,913,000. Further details, including the key assumptions used for fair value measurement, are given in note 28 to the financial statements.

4. SEGMENT INFORMATION

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

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

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

(c) the others segment engages in investment holding.

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

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

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

4. SEGMENT INFORMATION (Continued)

Year ended 31 December 2018

	Property development RMB'000	Property leasing RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	567,220	57,551	–	624,771
Revenue from continuing operations				624,771
Segment results:	134,622	71,611	(78,182)	128,051
Profit before tax from continuing operations				128,051
Segment assets	6,304,222	1,747,527	4,037,958	12,089,707
Reconciliation:				
Elimination of intersegment receivables				(5,317,504)
Total assets				6,772,203
Segment liabilities	5,691,349	591,649	3,698,485	9,981,483
Reconciliation:				
Elimination of intersegment payables				(5,300,436)
Total liabilities				4,681,047
Other segment information:				
Depreciation	1,239	72	70	1,381
Provision for impairment of completed properties held for sale	1,662	–	–	1,662
Provision for impairment of trade receivables	1,114	932	–	2,046
Realisation of onerous operating leases	–	(1,098)	–	(1,098)
Bank interest income	(375)	(84)	(281)	(740)
Finance costs	6,720	136	–	6,856
Fair value gain on investment properties	–	(67,785)	–	(67,785)
Fair value loss on financial liabilities at fair value through profit or loss	39,897	–	–	39,897
Capital expenditure	302	4,039	70	4,411

4. SEGMENT INFORMATION (Continued)

Year ended 31 December 2017

	Property development RMB'000	Property leasing RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	1,834,741	53,452	–	1,888,193
Revenue from continuing operations				1,888,193
Segment results:	515,075	53,858	(24,684)	544,249
Profit before tax from continuing operations				544,249
Segment assets	6,135,117	1,671,375	3,720,935	11,527,427
Reconciliation:				
Elimination of intersegment receivables				(4,773,835)
Total assets				6,753,592
Segment liabilities	5,728,569	578,916	3,127,981	9,435,466
Reconciliation:				
Elimination of intersegment payables				(4,763,920)
Total liabilities				4,671,546
Other segment information:				
Depreciation	2,427	79	41	2,547
Provision for impairment of properties under development	36,259	–	–	36,259
Provision for impairment of trade receivables	–	4,666	–	4,666
Realisation of onerous operating leases	–	(1,599)	–	(1,599)
Bank interest income	(554)	(38)	10	(582)
Finance costs	6,402	224	–	6,626
Fair value gain on investment properties	–	(28,159)	–	(28,159)
Capital expenditure	8	11	93	112

4. SEGMENT INFORMATION (Continued)

Geographical information

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

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	**567,220**	–
Sale of properties	**–**	1,834,741
Revenue from other sources		
Rental income	**57,551**	53,452
	624,771	1,888,193

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Property development RMB'000**
Type of goods	
Sale of properties	**567,220**
Geographical market	
Mainland China	**567,220**
Timing of revenue recognition	
Revenue from sale of properties at a point in time	**567,220**
Revenue from contracts with customers	
External customers	**567,220**

5. REVENUE, OTHER INCOME AND GAINS (Continued)

(a) An analysis of revenue is as follows: (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information (Continued)

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

	2018 **RMB'000**
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**231,667**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties
The performance obligation is satisfied upon the customers control properties.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	**254,958**

5. REVENUE, OTHER INCOME AND GAINS (Continued)

(b) Other income and gains

	2018 RMB'000	2017 RMB'000
Other income		
Bank interest income	**740**	582
Government grants	**172**	188
Exchange gain	**1,701**	–
Others	**574**	195
	3,187	965
Gains		
Gain on disposal of an investment property	**–**	90,336
Gain on disposal of a property under development	**–**	43,961
Gain on disposal of a subsidiary	**–**	28,046
	–	162,343
	3,187	163,308

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on interest-bearing bank loans and other borrowings	**225,558**	146,302
Interest expense arising from revenue contracts	**17,490**	–
Notional interest (note 26)	**136**	224
Total interest expense on financial liabilities not at fair value through profit or loss	**243,184**	146,526
Less: Interest capitalised	**(236,328)**	(139,900)
	6,856	6,626

7. PROFIT BEFORE TAX

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

	2018 RMB'000	2017 RMB'000
Cost of properties sold	**325,593**	1,147,259
Cost of leasing properties	**18,524**	21,079
Depreciation	**1,381**	2,547
	345,498	1,170,885
Auditor's remuneration	**2,350**	2,350
Minimum lease payments under operating leases	**1,973**	1,481
Employee benefit expense (excluding directors' remuneration as set out in note 8):		
Wages and salaries	**30,601**	27,942
Pension scheme and social welfare	**10,178**	9,294
	45,102	41,067
Foreign exchange differences, net	**(1,071)**	932
Impairment of financial assets, net:		
Impairment of trade receivables, net (note 19)	**2,046**	4,666
Impairment of financial assets included in prepayments and other receivables, net	**6,313**	–
	7,288	5,598
Impairment of properties under development (note 17)	**–**	36,259
Impairment of completed properties held for sale (note 18)	**1,662**	–
Realisation of onerous operating leases (note 26)	**(1,098)**	(1,599)
Changes in fair value of investment properties (note 15)	**(67,785)**	(28,159)
Changes in fair value of convertible bonds	**39,897**	–
Bank interest income	**(740)**	(582)
Gain on disposal of items of property, plant and equipment	**(349)**	(15)
Gain on disposal of an investment property	**–**	(90,336)
Gain on disposal of a property under development	**–**	(43,961)
Gain on disposal of a subsidiary	**–**	(28,046)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2018 RMB'000	2017 RMB'000
Fees	**657**	605
Other emoluments:		
Salaries, allowances and benefits in kind	**1,442**	1,503
Pension scheme contributions	**186**	149
	1,628	1,652

(a) Independent non-executive directors

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

	2018 RMB'000	2017 RMB'000
Mr. Gu Jiong	**219**	173
Mr. Lo Wa Kei, Roy	**219**	216
Mr. Fong Wo, Felix	**219**	216
	657	605

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

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

(b) Executive directors and a non-executive director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2018				
Executive directors:				
– Mr. Chen Chengshou	**–**	**983**	**83**	**1,066**
– Mr. Feng Cizhao	**–**	**80**	**32**	**112**
– Mr. Wong Thian Tsu, Michael	**–**	**199**	**–**	**199**
	–	**1,262**	**115**	**1,377**
Non-executive director:				
– Ms. Gao Qiaoqin	**–**	**180**	**71**	**251**
	–	**1,442**	**186**	**1,628**
2017				
Executive directors:				
– Mr. Chen Chengshou	–	983	65	1,048
– Mr. Feng Cizhao	–	80	19	99
– Mr. Wong Thian Tsu, Michael	–	260	–	260
	–	1,323	84	1,407
Non-executive director:				
– Ms. Gao Qiaoqin	–	180	65	245
	–	1,503	149	1,652

Mr. Wong Thian Tsu, Michael resigned as an executive director of the Company on 3 October 2018.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2017: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2017: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**5,149**	5,374
Pension scheme contributions	**332**	276
	5,481	5,650

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

	2018	2017
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**4**	2
HK$1,500,001 to HK$2,000,000	**–**	1
	4	4

10. INCOME TAX

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

10. INCOME TAX (Continued)

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

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

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

The major components of income tax expense are as follows:

	2018 **RMB'000**	2017 RMB'000
Current tax:		
Income tax in the PRC for the year	**6,284**	113,697
LAT	**65,417**	193,937
Deferred tax (note 16)	**34,895**	9,807
Total tax charge for the year from continuing operations	**106,596**	317,441
Total tax charge for the year from a discontinued operation	**–**	–
	106,596	317,441

10. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, is as follows:

	2018 RMB'000	2017 RMB'000
Profit before tax from continuing operations	**128,051**	544,249
Profit before tax from a discontinued operation	**–**	1,842
	128,051	546,091
Tax at the statutory tax rate	**33,498**	137,121
Expenses not deductible for tax	**2,752**	1,663
Tax losses utilised from previous periods	**(1,567)**	(461)
Tax losses and temporary differences not recognised	**22,850**	33,664
Subtotal	**57,533**	171,987
LAT provision for the year	**49,781**	72,172
Prepaid LAT for the year	**15,636**	121,765
Deferred tax effect of LAT provision (note 16)	**(12,445)**	(18,042)
Tax effect of prepaid LAT	**(3,909)**	(30,441)
Tax charge at the Group's effective rate	**106,596**	317,441
Tax charge from continuing operations at the effective rate	**106,596**	317,441
Tax charge from a discontinued operation at the effective rate	**–**	–

For the year ended 31 December 2018, tax losses and temporary differences amounting to RMB97,328,000 (2017: RMB137,054,000) have not been recognised as deferred tax assets, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation (2017: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,878,622,000 (2017: 1,878,622,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for years ended 2018 and 2017 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2018 **RMB'000**	2017 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**42,912**	240,436
From a discontinued operation	**–**	1,842
Add: Fair value loss of the convertible bonds	**39,897**	–
	82,809*	242,278
Attributable to:		
Continuing operations	**82,809***	240,436
Discontinued operation	**–**	1,842
	82,809*	242,278

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,878,622,000**	1,878,622,000
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**126,294,569**	–
	2,004,916,569	1,878,622,000

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit for the year and the profit attributable to continuing operations of RMB42,912,000, and the weighted average number of ordinary shares of 1,878,622,000 in issue during the year.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:				
At 1 January 2017	2,662	5,612	22,709	30,983
Additions	–	111	–	111
Disposal of subsidiaries	–	(405)	(189)	(594)
Disposals	–	(117)	–	(117)
At 31 December 2017 and 1 January 2018	2,662	5,201	22,520	30,383
Additions	–	229	143	372
Disposals	–	(4)	(1,145)	(1,149)
At 31 December 2018	2,662	5,426	21,518	29,606
Accumulated depreciation:				
At January 2017	2,529	4,292	14,506	21,327
Charge for the year	–	262	2,301	2,563
Disposal of subsidiaries	–	(215)	(186)	(401)
Disposals	–	(24)	–	(24)
At 31 December 2017 and 1 January 2018	2,529	4,315	16,621	23,465
Charge for the year	–	270	1,111	1,381
Disposals	–	(4)	(1,088)	(1,092)
At 31 December 2018	2,529	4,581	16,644	23,754
Net carrying amount:				
At 31 December 2017	133	886	5,899	6,918
At 31 December 2018	133	845	4,874	5,852

None of the Group's property, plant and equipment (2017: Nil) have been pledged to secure bank loans granted to the Group.

14. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2018 RMB'000	2017 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Shanghai Banjia Information Technology Co. Ltd	–	–
Available-for-sale investments		
Unlisted equity investments, at cost		
Shanghai Banjia Information Technology Co. Ltd	–	1,500

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

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

15. INVESTMENT PROPERTIES

	Total RMB'000
At 1 January 2017	3,074,014
Disposals	(48,397)
Change in fair value of investment properties	28,159
At 31 December 2017	3,053,776
Additions	4,039
Change in fair value of investment properties	67,785
At 31 December 2018	3,125,600

15. INVESTMENT PROPERTIES (Continued)

The Group's investment properties consist of commercial properties completed in Mainland China. The fair value of the Group's investment properties was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer. The investment properties are leased to third parties under operating lease, further details of which are included in note 36.

As at 31 December 2018, the Group's investment properties with a value of RMB3,125,600,000 (2017: RMB2,112,900,000) were pledged to secure general interest-bearing bank loans and other borrowings granted to the Group (note 25).

Fair value hierarchy

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

	Fair value measurement as at 31 December 2018 and 31 December 2017 using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018				
Commercial properties	–	–	3,125,600	3,125,600
31 December 2017				
Commercial properties	–	–	3,053,776	3,053,776

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

15. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

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

	Commercial properties RMB'000
Carrying amount at 1 January 2017	3,074,014
Disposal	(48,397)
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	28,159
Carrying amount at 31 December 2017	3,053,776
Additions	4,039
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	67,785
Carrying amount at 31 December 2018	3,125,600

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

Commercial properties	**Valuation techniques**	**Significant inputs unobservable**	**Range** (weighted average)
Year ended 31 December 2018	Income method	Market monthly rental rate (RMB/sq.m.)	2.80-5.90
		Term yield	4.50%-5.50%
		Reversionary yield	5.00%-6.00%
		Long term vacancy rate	3.00%-8.00%
Year ended 31 December 2017	Income method	Market monthly rental rate (RMB/sq.m.)	2.64-5.83
		Term yield	5.00%-5.50%
		Reversionary yield	5.00%-6.00%
		Long term vacancy rate	3.00%-8.00%

15. INVESTMENT PROPERTIES (Continued)

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

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

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

16. DEFERRED TAX

Deferred tax assets

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

	Loss available for offsetting against future taxable profit RMB'000	Accruals and provisions RMB'000	Accrued LAT RMB'000	Total RMB'000
Deferred tax assets				
Gross deferred tax assets				
At 1 January 2017	27,842	7,926	129,808	165,576
Deferred tax (charged)/credited to profit or loss during the year (note 10)	(4,752)	12,050	18,042	25,340
At 31 December 2017	23,090	19,976	147,850	190,916
Effect of adoption of IFRS 15	3,573	–	–	3,573
At 1 January 2018 (restated)	26,663	19,976	147,850	194,489
Deferred tax credited/(charged) to profit or loss during the year (note 10)	31,518	(1,666)	12,445	42,297
At 31 December 2018	58,181	18,310	160,295	236,786

The Group has tax losses arising in Mainland China of RMB126,072,000 (2017: RMB92,360,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets in respect of tax losses and temporary differences amounting to RMB153,333,000 (2017: RMB130,483,000) have not been recognised, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

16. DEFERRED TAX (Continued)

Deferred tax liabilities

Deferred tax liabilities	Accelerated tax depreciation	Adjustment of fair value arising from investment properties	Capitalised interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities				
At 1 January 2017	42,733	400,687	47,268	490,688
Deferred tax charged to profit or loss during the year (note 10)	13,480	7,040	10,546	31,066
Disposal of an investment property	(4,793)	8,874	–	4,081
At 31 December 2017	51,420	416,601	57,814	525,835
Deferred tax charged to profit or loss during the year (note 10)	13,480	16,946	46,766	77,192
At 31 December 2018	64,900	433,547	104,580	603,027

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

As at 31 December 2018, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the subsidiaries of the Group established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute earnings arising from 1 January 2008 to 31 December 2018 in the foreseeable future. The aggregate amount of temporary differences associated with the investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB132,005,000 (2017: RMB106,538,000).

16. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

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

	2018 **RMB'000**	2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**96,045**	82,659
Net deferred tax liabilities recognised in the consolidated statement of financial position	**462,286**	417,578
	(366,241)	(334,919)

17. PROPERTIES UNDER DEVELOPMENT

	2018 **RMB'000**	2017 RMB'000
Carrying amount	**1,031,980**	2,085,458
Effects of adoption of IFRS 15	**12,249**	–
Additions	**406,530**	554,861
Transferred to completed properties held for sale	**(325,868)**	(1,534,861)
Disposals	**–**	(37,219)
Impairment	**–**	(36,259)
	1,124,891	1,031,980

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB709,131,000 (2017: RMB811,735,000) have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group (note 25).

17. PROPERTIES UNDER DEVELOPMENT (Continued)

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

	2018 RMB'000	2017 RMB'000
At beginning and end of year	**(36,259)**	–
Transferred to completed properties held for sale	**36,259**	–
Impairment of properties under development	**–**	(36,259)
	–	(36,259)

Included in the above provision for impairment of properties under development is a provision for the impaired properties under development of nil (2017: RMB36,259,000) with a carrying amount before provision of nil (2017: RMB199,028,000).

18. COMPLETED PROPERTIES HELD FOR SALE

	2018 RMB'000	2017 RMB'000
Carrying amount	**1,693,261**	1,305,659
Transferred from properties under development	**325,868**	1,534,861
Transferred to cost of properties sold	**(325,593)**	(1,147,259)
Impairment	**(1,662)**	–
	1,691,874	1,693,261

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB627,422,000 (2017: RMB571,939,000) have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group (note 25).

18. COMPLETED PROPERTIES HELD FOR SALE (Continued)

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

	2018 **RMB'000**	2017 RMB'000
At beginning and end of year	**20,518**	20,986
Transferred from properties under development	**36,259**	–
Impairment of completed properties held for sale	**1,662**	–
Impairment loss realised	**(22,003)**	(468)
	36,436	20,518

Included in the above provision for impairment of completed properties held for sale is a provision for the impaired completed properties held for sale of RMB36,436,000 (2017: RMB20,518,000) with a carrying amount before provision of RMB763,315,000 (2017: RMB632,510,000).

19. TRADE RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Trade receivables	**26,298**	95,007
Impairment	**(22,980)**	(20,934)
	3,318	74,073

Trade receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable in advance in accordance with the terms of the related sales and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

19. TRADE RECEIVABLES (Continued)

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

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

	2018	2017
	RMB'000	RMB'000
Within 1 year	**3,318**	74,073

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

	2018	2017
	RMB'000	RMB'000
At beginning and end of year	**20,934**	16,268
Impairment loss, net	**2,046**	4,666
	22,980	20,934

IMPAIRMENT UNDER IFRS 9 FOR THE YEAR ENDED 31 DECEMBER 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

19. TRADE RECEIVABLES (Continued)

As at 31 December 2018

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	87.38%	–	–	–	87.38%
Gross carrying amount (RMB'000)	26,298	–	–	–	26,298
Expected credit losses (RMB'000)	22,980	–	–	–	22,980

IMPAIRMENT UNDER IAS 39 FOR THE YEAR ENDED 31 DECEMBER 2017

Included in the above provision for impairment of trade receivables was a provision for the impaired trade receivables of RMB20,934,000 with a carrying amount before provision of RMB22,525,000.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	72,482
Past due within one year but not impaired	1,591
	74,073

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

20. PREPAYMENTS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Prepayments	**11,534**	13,725
Other tax recoverable	**14,741**	21,076
Deposits and other receivables	**108,777**	86,600
	135,052	121,401
Impairment allowance	**(6,440)**	–
	128,612	121,401

Deposits and other receivables mainly represent deposits with suppliers. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for where there are no comparable companies as at 31 December 2018 was 5.9%.

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

21. CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash at hand	**78**	126
Cash at banks, unrestricted	**35,437**	655,130
Cash and cash equivalents	**35,515**	655,256
Denominated in RMB	**33,109**	648,313
Denominated in HK$	**2,385**	6,922
Denominated in US$	**21**	21
	35,515	655,256
Pledged time deposits for the guarantee to a third party	**535,400**	–
Restricted pre-sale proceeds	**2,339**	2,402
Restricted deposits	**537,739**	2,402

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

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

Certain of the Group's time deposit with an aggregate amount of approximately RMB535,400,000 was pledged as a financial guarantee for interest-bearing bank loans to a third party Zhejiang Muzi Trading Company Limited as at 31 December 2018. The pledged time deposits were subsequently released as at 2 January 2019. The fair value of the financial guarantee is immaterial.

22. TRADE PAYABLES

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

	2018 **RMB'000**	2017 RMB'000
Less than one year	**125,515**	121,785
Over one year	**109,850**	227,048
	235,365	348,833

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

23. OTHER PAYABLES AND ACCRUALS

	2018 **RMB'000**	2017 RMB'000
Other payables and accruals	**247,953**	143,652
Other tax payables	**118,446**	94,413
Payables to third parties	**115,736**	216,379
Deposits related to sales of properties	**50,607**	45,072
Rental payables	**18,771**	23,867
Deposits related to construction	**18,031**	19,521
Payroll and welfare payables	**6,245**	5,299
Others	**10,633**	8,662
	586,422	556,865

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

24. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers		
Sale of properties	**217,762**	413,467

Contract liabilities represent the sales proceeds received from buyers in connection with the Group's pre-sale of properties at the end of the reporting period and rental income received from lessees.

25. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Other borrowings – secured	**–**	**–**	**–**	9.00	2018	220,000
Current portion of long term bank loans – secured	**–**	**–**	**–**	6.13	2018	40,000
Current portion of long term other borrowings – secured	**7.71-10.41**	**2019**	**1,266,230**	7.15-9.50	2018	852,201
			1,266,230			1,112,201
Non-current						
Bank loans – secured	**–**	**–**	**–**	6.13	2022	130,000
Other borrowings – secured	**12.18**	**2021**	**700,844**	6.80-8.00	2019	811,850
			700,844			941,850
			1,967,074			2,054,051
Analysed into:						
Bank loans repayable:						
Repayable within one year			**–**			40,000
Repayable in the second year			**–**			30,000
Repayable in the third to fifth years			**–**			100,000
			–			170,000
Other borrowings repayable:						
Repayable within one year			**1,266,230**			1,072,201
Repayable in the second year			**40,000**			811,850
Repayable in the third to fifth years			**660,844**			–
			1,967,074			1,884,051
			1,967,074			2,054,051

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

The Group's interest-bearing bank loans and other borrowings are secured by the pledges of the following assets with carrying values at 31 December 2018 and 2017 as follows:

		2018 RMB'000	2017 RMB'000
Equity interests in subsidiaries	(i)	**439,715**	397,938
Investment properties	(ii)	**3,125,600**	2,112,900
Completed properties held for sale	(iii)	**627,422**	571,939
Properties under development	(iv)	**709,131**	811,735

(i) The Group's other borrowings of RMB500,000,000 (2017: RMB500,000,000) were secured by the 100% equity interest in Wenshang Times, a subsidiary of the Company.

(ii) None of the Group's interest-bearing bank loans (2017: RMB170,000,000) were secured by investment properties of Taizhou Investment, a subsidiary of the Company.

The Group's other borrowings of RMB500,000,000, RMB495,000,000, RMB412,973,000 and RMB313,257,000 (2017: RMB500,000,000, nil, nil and RMB346,500,000) were secured by investment properties of Wenshang Times, Taizhou Investment, Shanghai Xinming and Chongqing Xinming, subsidiaries of the Company, respectively.

(iii) The Group's other borrowings of RMB313,257,000 and RMB245,844,000, (2017: RMB346,500,000 and RMB403,759,000) were secured by completed properties held for sale of Chongqing Xinming and Hangzhou Xinming, subsidiaries of the Company, respectively.

(iv) The Group's other borrowings of RMB313,257,000 (2017: RMB346,500,000) were secured by properties under development of Chongqing Xinming, a subsidiary of the Company.

None of the Group's other borrowings of (2017: RMB220,000,000) were secured by properties under development of Shandong Xingmeng, a subsidiary of the Company.

(v) The Group's interest-bearing bank loans and other borrowings of RMB1,967,074,000 were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin and (iii) Xinming Group Limited, a related party of the Group (2017: RMB2,054,051,000, jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group and (iv) Mr. Fan Guangpei, the non-controlling shareholder of Shandong Xingmeng, a subsidiary of the Company), as set out in note 38(b)(v).

26. PROVISIONS

Onerous operating leases:

	2018 RMB'000	2017 RMB'000
At 1 January	**2,130**	3,505
Realisation	**(1,098)**	(1,599)
Increase in discounted amounts arising from the passage of time	**136**	224
At 31 December	**1,168**	2,130
Analysed into:		
Current	**1,168**	1,098
Non-current	**–**	1,032

Onerous contract provision

The Group has sold certain of the commercial properties at market prices, and then leases back from the owners for the purpose of leasing them out to third party tenants. Pursuant to the payment terms of these contracts from 1 July 2014 to 30 June 2019, the unavoidable costs of meeting the obligations have exceeded the economic benefits expected to be received. A provision has been made for these onerous contracts based on the estimated minimum net cost of exiting from the contracts as at 31 December 2018 and 2017.

27. TAX PAYABLE

	2018 RMB'000	2017 RMB'000
Income tax	**261,317**	269,363
LAT	**658,863**	612,706
	920,180	882,069

28. FINANCIAL LIABILITES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 1 June 2018, the Company issued convertible bonds in the aggregate principal amount of HK$300,000,000 (equivalent to approximately RMB245,016,000) (the “Convertible Bonds”) at the price of 100% of their principal amount. The Convertible Bonds are redeemable at the option of the bondholders at a price of HK$1.39 per bond on 1 June 2020. The Convertible Bonds bear interest at the rate of 6.5% plus 1% handling fee per annum and are payable in arrears every six months. The Convertible Bonds are guaranteed by the Controlling Shareholder, Mr. Chen Chengshou, and the non-executive director, Ms. Gao Qiaoqin, pursuant to a deed of guarantee, and secured by Xinxing Company Limited by 940,000,000 shares of the Company held by Xinxing Company Limited, a company controlled by Mr. Chen Chengshou.

The Convertible Bonds were recognised as financial liabilities designated upon initial recognition as at fair value through profit or loss.

	Convertible bonds RMB’000
Carrying amount at 1 January 2018	–
Issue of convertible bonds	245,016
Net loss from a fair value adjustment recognised in changes in fair value of financial liabilities in profit or loss	39,897
Interest expense	10,004
Interest paid	(10,004)
Carrying amount at 31 December 2018	284,913

The Convertible Bonds were jointly guaranteed by the Controlling Shareholder, Mr. Chen Chengshou and the non-executive director, Ms. Gao Qiaoqin.

28. FINANCIAL LIABILITES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The Group's convertible bond is valued by an independent valuer by using binomial model with the following key assumptions:

	As at 31 December 2018
Stock price of the Company	HKD1.29
Volatility	38.49%
Risk-free interest rate	1.87%
Dividend yield	0%
Bond discount rate	17.01%

29. OTHER LIABILITIES

	2018 RMB'000	2017 RMB'000
Rental payables	**–**	4,446

The Group has entered into a number of contracts in respect of the leasing of certain of its commercial properties owned by third parties for the purpose of leasing them to third party tenants. Pursuant to the payment terms of these contracts, the Group should pay at a fixed rate of the selling prices of properties during the lease terms. These leases were classified as operating leases and had remaining lease terms of 18 months as at 31 December 2018. At 31 December 2018 and 2017, the operating lease payable on the straight-line basis over the lease terms was included in other liabilities and other payables in the consolidated statement of financial position.

30. ISSUED CAPITAL

Issued capital

	Number of shares	**Nominal value of HK$0.01 each**	**Nominal value RMB**
Authorised:			
At 31 December 2017 and 31 December 2018	1,880,000,000	18,800,000	14,891,000
Issued and fully paid:			
At 31 December 2017 and 31 December 2018	1,878,622,000	18,786,220	14,880,000

31. RESERVES

Merger reserve

The merger reserve represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company and the reserve arising from acquisition of non-controlling interests. Details of the movements in the merger reserve are set out in the consolidated statement of changes in equity.

Capital reserve

Capital reserve comprises the difference arising from changes in ownership interests in subsidiaries which do not result in change of control.

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests:		
Shandong Xingmeng	**25%**	25%
Shanghai Xinming	**21%**	21%
Chongqing Xinming	**5%**	5%

	2018 **RMB'000**	2017 RMB'000
Loss for the year allocated to non-controlling interests:		
Shandong Xingmeng	**(1,383)**	(1,019)
Shanghai Xinming	**(18,642)**	(6,471)
Chongqing Xinming	**(444)**	(4,577)

	2018 **RMB'000**	2017 RMB'000
Accumulated balances of non-controlling interests at the reporting date:		
Shandong Xingmeng	**2,917**	4,382
Shanghai Xinming	**84,664**	104,907
Chongqing Xinming	**5,336**	5,919

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2018	Shandong Xingmeng RMB'000	Shanghai Xinming RMB'000	Chongqing Xinming RMB'000
Revenue	820	52,712	177,767
Total expenses	(6,787)	(50,275)	(30,269)
Loss for the year	(5,531)	(88,768)	(8,881)
Total comprehensive loss for the year	(5,531)	(88,768)	(8,881)
Current assets	598,135	475,196	803,187
Non-current assets	12,005	940,401	305,621
Current liabilities	(598,472)	(949,326)	(1,003,083)
Non-current liabilities	–	(63,109)	997
Net cash flows from operating activities	220,154	1,769	39,499
Net cash flows used in investing activities	(8)	(81)	(13,719)
Net cash flows used in financing activities	(220,000)	(819)	(33,243)
Net increase/(decrease) in cash and cash equivalents	146	869	(7,463)

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(Continued)

2017	Shandong Xingmeng RMB'000	Shanghai Xinming RMB'000	Chongqing Xinming RMB'000
Revenue	4,113	40,787	864
Total expenses	(6,678)	(36,524)	(63,540)
Loss for the year	(4,074)	(30,815)	(40,849)
Total comprehensive loss for the year	(4,074)	(30,815)	(40,849)
Current assets	539,560	638,771	907,733
Non-current assets	10,136	940,572	292,616
Current liabilities	(532,170)	(988,599)	(775,106)
Non-current liabilities	–	(91,189)	(306,871)
Net cash flows used in operating activities	(23,748)	(195,558)	(140,092)
Net cash flows used in investing activities	(8)	–	(11)
Net cash flows from financing activities	20,000	175,000	140,000
Net decrease in cash and cash equivalents	(3,756)	(20,558)	(103)

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Financial liabilities at fair value through profit or loss	Interest-bearing other borrowings		Included in "Other payables and accruals"	Total
		Current	Non-current	Current	
		RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	–	1,544,545	1,464,914	145,502	3,154,961
Changes from financing cash flows	–	(432,344)	(523,064)	7,286	(948,122)
Increase arising from acquisition of non-controlling interests	–	–	–	87,500	87,500
At 31 December 2017 and at 1 January 2018	–	1,112,201	941,850	240,288	2,294,339
Changes from financing cash flows	245,016	154,029	(241,006)	32,833	190,872
Net loss from a fair value adjustment recognised in changes in fair value of financial liabilities in profit or loss	39,897	–	–	–	39,897
Interest expense	10,004	–	–	–	10,004
Interest paid	(10,004)	–	–	–	(10,004)
Acquisition of non-controlling interests	–	–	–	(72,500)	(72,500)
At 31 December 2018	284,913	1,266,230	700,844	200,621	2,452,608

34. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	**27,984**	19,083

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee agreements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchaser's collateral agreement.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

35. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 25 to the financial statements.

Details of the Group's pledge time deposit are included in note 21 to the financial statements.

36. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out its investment properties under operating lease arrangements with leases negotiated from terms ranging from one to five years. The terms of leases generally require the tenants to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**27,250**	34,591
In the second to fifth years, inclusive	**7,945**	34,470
	35,195	69,061

As lessee

The Group leases certain of its commercial properties under operating lease arrangements, negotiated for lease terms of one to five years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**23,509**	23,001
In the second to fifth years, inclusive	**–**	23,509
	23,509	46,510

36. OPERATING LEASE ARRANGEMENTS (Continued)

The Group has entered into a number of contracts in respect of leasing back commercial properties owned by third parties for the purpose of leasing them to third party tenants. Pursuant to the payment terms of these contracts, the Group should pay at a fixed rate of the selling prices of properties during the lease terms. These leases are classified as operating leases and had remaining lease terms of 6 months as at 31 December 2018. At 31 December 2017 and 2018, the operating lease payable on the straight-line basis over the lease terms was included in other liabilities and other payables in the consolidated statement of financial position.

37. COMMITMENTS

In addition to the operating lease commitment as detailed in note 36 above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	RMB'000	RMB'000
Contracted, but not provided for:		
Properties under development	**27,073**	37,628

38. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Mr. Chen Chengshou	Controlling Shareholder
Yuanyang Holdings Group Share Limited Company	Significantly influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Zhejiang Shouchuang Industry Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Zhejiang Tianmao Landscape Engineering Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Hangzhou Taoyuan Shanzhuang Property Development Limited	Controlled by the Controlling Shareholder

(b) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Nature of transactions

Recurring transactions

		2018 RMB'000	2017 RMB'000
(i)	**Purchases of construction materials and related services from related parties**		
	Yuanyang Holdings Group Share Limited Company	**4,593**	196,972
	Zhejiang Tianmao Landscape Engineering Co., Ltd.	**–**	4,468
		4,593	201,440

38. RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued):

Nature of transactions (Continued)

Recurring transactions (Continued)

The purchases of construction materials and related services from the above related parties were made according to the prices and terms agreed between the related parties.

	2018 RMB'000	2017 RMB'000
(ii) Rendering property management services to other related party		
Hangzhou Taoyuan Shanzhuang Property Development Limited	**–**	2,510

The property management services to the above related party were provided according to the prices and terms agreed between the related parties.

	2018 RMB'000	2017 RMB'000
(iii) Leasing of offices from a related party		
Hangzhou Taoyuan Shanzhuang Property Development Limited	**480**	480

The lease of offices from the above related party was entered into according to the prices and terms agreed between the related parties.

38. RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued):

Nature of transactions (Continued)

Non-recurring transactions

(iv) Guarantees provided for interest-bearing bank loans and other borrowings by related parties

As set out in note 25(vi), as at 31 December 2018, the Group's interest-bearing bank loans and other borrowings of RMB1,967,075,000 are jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin and (iii) Xinming Group Limited, a related party of the Group (2017: RMB2,054,051,000, jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group and (iv) Mr. Fan Guangpei, the non-controlling shareholder of Shandong Xingmeng, a subsidiary of the Company).

(v) Guarantees provided for The Convertible Bonds by related parties

As set out in note 28, as at 31 December 2018, the Group's The Convertible Bonds of RMB284,913,000 are jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou and (ii) the non-executive director, Ms. Gao Qiaoqin.

(c) Outstanding balances with related parties

	2018 RMB'000	2017 RMB'000
Due to other related parties		
Yuanyang Holdings Group Share Limited Company	**5,877**	8,745
Zhejiang Shouchuang Industry Co., Ltd.	**–**	3,122
Zhejiang Tianmao Landscape Engineering Co., Ltd.	**–**	6,780
	5,877	18,647

38. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group

	2018 RMB'000	2017 RMB'000
Short term employee benefits	**1,442**	1,503
Pension scheme contributions	**186**	162
Total compensation paid to key management personnel	**1,628**	1,665

39. LOANS TO DIRECTORS

Name	**31 December 2018 RMB'000**	**Maximum amount outstanding during the year RMB'000**	**1 January 2018 RMB'000**	**Security held**
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr. Chen Chengshou)	**–**	**–**	**–**	**None**
	–	**–**	**–**	

Name	31 December 2017 RMB'000	Maximum amount outstanding during the year RMB'000	1 January 2017 RMB'000	Security held
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr. Chen Chengshou)	–	375	375	None
	–	375	375	

40. FINANCIAL INSTRUMENTS BY CATEGORY

The table below is an analysis of the carrying amounts of financial instruments by category as at the end of the year:

Financial assets	2018 RMB'000	2017 RMB'000
Financial assets at amortised cost		
Trade receivables	**3,318**	74,073
Financial assets included in prepayments and other receivables	**101,188**	85,451
Restricted deposits	**537,739**	2,402
Available-for-sale investments	**–**	1,500
Cash and cash equivalents	**35,515**	655,256
	677,760	818,682
Financial assets at fair value through other comprehensive income		
Equity investments at fair value through other comprehensive income	**–**	–

Financial liabilities	2018 RMB'000	2017 RMB'000
Financial liabilities at amortised cost		
Trade payables	**235,365**	348,833
Financial liabilities included in other payables and accruals	**461,731**	457,153
Due to other related parties	**5,877**	18,647
Interest-bearing bank loans and other borrowings	**1,967,074**	2,054,051
	2,670,047	2,878,684
Financial liabilities at fair value through profit or loss		
Convertible bonds designate as Such upon initial recognition	**284,913**	–

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**–**	–	**–**	–
Available-for-sale investments	**–**	1,500	**–**	1,500
	–	1,500	**–**	1,500
Financial liabilities				
Interest-bearing bank loans and other borrowings	**700,844**	941,850	**718,840**	944,111
Convertible bonds	**284,913**	–	**284,913**	–
	985,757	941,850	**1,003,753**	944,111

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from/to related parties, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing other borrowings as at 31 December 2018 and 2017 was assessed to be insignificant. The Convertible Bonds were recognised as financial liabilities designated upon initial recognition as at fair value through profit or loss. The Convertible Bonds was measured at fair value using the Binomial model method.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments for which fair values are disclosed:

Assets measured at fair value:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2018	2017
	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income	**–**	–
Available-for-sale investments	**–**	1,500
	–	1,500

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2018 RMB'000	2017 RMB'000
Equity investments at fair value through other comprehensive income/available-for-sale investments – unlisted:		
At 1 January	**1,500**	–
Effect of adoption of IFRS 9	**(255)**	–
At 1 January (restated)	**(1,245)**	–
Total losses recognised in other comprehensive income	**(1,245)**	–
Purchases	**–**	1,500
At 31 December	**–**	1,500

Liabilities measured at fair value:

	Fair value measurement using significant unobservable inputs (Level 2)	
	2018 RMB'000	2017 RMB'000
Financial liabilities at fair value through profit or loss	**284,913**	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2018	2017
	RMB'000	RMB'000
Interest-bearing bank loans and other borrowings	**718,840**	944,111

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted deposits, trade receivables, and trade payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank loans and other borrowings, amounts due to other related parties, and deposits, financial liabilities at fair value through profit or loss and other receivables, and other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

INTEREST RATE RISK

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank loans and other borrowings with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

INTEREST RATE RISK (Continued)

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax* RMB'000
2018		
RMB	**20**	**(743)**
RMB	**(20)**	**743**
2017		
RMB	20	(255)
RMB	(20)	255

* The sensitivity is calculated based on the assumption that none of the interest was capitalised.

FOREIGN CURRENCY RISK

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar ("HK$") exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FOREIGN CURRENCY RISK (Continued)

	Increase/ (decrease) in HK$ rate %	(Decrease)/ increase in profit before tax RMB'000
2018		
If HK$ weakens against RMB	**5**	**(119)**
If HK$ strengthens against RMB	**(5)**	**119**
2017		
If HK$ weakens against RMB	5	(346)
If HK$ strengthens against RMB	(5)	346

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK (Continued)

Maximum exposure and year-end staging as at 31 December 2018 (continued)

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	–	–	–	3,318	3,318
Financial assets included in prepayments, other receivables and other assets					
– Normal**	101,188	–	–	–	101,188
Restricted deposits					
– Not yet past due	537,739	–	–	–	537,739
Cash and cash equivalents					
– Not yet past due	35,515	–	–	–	35,515
	674,442	–	–	3,318	677,760

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK (Continued)

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which mainly comprise cash and restricted deposits, other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. In addition, trade and bills receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans, financial liabilities at fair value through profit or loss and other borrowings. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
31 December 2018				
Trade payables	235,365	–	–	235,365
Other payables and accruals	461,731	–	–	461,731
Due to other related parties	5,877	–	–	5,877
Interest-bearing bank loans and other borrowings	1,385,268	804,992	–	2,190,260
Financial liabilities at fair value through profit or loss	19,715	295,403	–	315,118
	2,107,956	1,100,395	–	3,208,351

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

LIQUIDITY RISK (Continued)

	Within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
31 December 2017				
Trade payables	348,833	–	–	348,833
Other payables and accruals	457,153	–	–	457,153
Due to other related parties	18,647	–	–	18,647
Interest-bearing bank loans and other borrowings	1,249,496	1,004,220	–	2,253,716
	2,074,129	1,004,220	–	3,078,349

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by total equity plus net debt. The Group's net debt consists of interest-bearing bank loans and other borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CAPITAL MANAGEMENT (Continued)

At the end of the year, the Group's strategy was to maintain the net debt to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to equity ratios at the end of the years are as follows:

	2018 **RMB'000**	2017 RMB'000
Interest-bearing bank loans and other borrowings	**1,967,074**	2,054,051
Less: Cash and cash equivalents	**(35,515)**	(655,256)
Net debt	**1,931,559**	1,398,795
Total equity	**2,091,156**	2,082,046
Total equity and net debt	**4,022,715**	3,480,841
Gearing ratio	**48%**	40%

43. EVENTS AFTER THE REPORTING PERIOD

As of the date of approval of the financial statements, the Group did not have any significant event subsequent to 31 December 2018.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	–	–
CURRENT ASSETS		
Cash and cash equivalents	150	8
Due from subsidiaries	524,484	524,504
	524,634	524,512
CURRENT LIABILITIES		
Due to subsidiaries	145	8
	145	8
NET CURRENT ASSETS	524,489	524,504
TOTAL ASSETS LESS CURRENT LIABILITIES	524,489	524,504
NET ASSETS	524,489	524,504
EQUITY		
Issued capital	14,880	14,880
Reserves	509,609	509,624
Total equity	524,489	524,504

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	**Retained profits** RMB'000	**Total equity** RMB'000
At 1 January 2017	496,155	13,469	509,624
Profit and total other comprehensive income for the year	–	–	–
At 31 December 2017	496,155	13,469	509,624
Profit and total other comprehensive income for the year	–	(15)	(15)
At 31 December 2018	496,155	13,454	509,609

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2019.

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December 2018

The five year financial summary is as follows:

	For the Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Represented)	(Represented)	(Represented)
CONTINUING OPERATIONS					
REVENUE	**624,711**	1,888,193	642,680	1,332,280	2,117,031
Cost of sales	**(344,117)**	(1,168,338)	(294,840)	(912,587)	(1,365,676)
Gross profit	**280,654**	719,855	347,840	419,693	751,355
Other income and gains	**3,187**	163,308	5,815	16,107	2,724
Selling and distribution costs	**(44,023)**	(172,762)	(94,250)	(73,392)	(86,847)
Administrative expenses	**(87,372)**	(80,321)	(82,722)	(107,720)	(88,936)
Other expenses	**(37,068)**	(107,364)	(28,414)	(13,627)	(11,149)
Impairment losses on financial assets, net	**(8,359)**	–	–	–	–
Changes in fair value of investment properties	**67,785**	28,159	59,396	532,303	16,864
Changes in fair value of convertible bonds	**(39,897)**	–	–	–	–
Finance costs	**(6,856)**	(6,626)	(55)	(1,778)	(3,021)
PROFIT BEFORE TAX	**128,051**	544,249	207,610	771,586	580,990
Income tax expense	**(106,596)**	(317,441)	(179,437)	(274,740)	(264,801)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR FROM CONTINUING OPERATIONS	**21,455**	226,808	28,173	496,846	316,189
DISCONTINUED OPERATION					
Profit/(loss) and total comprehensive income/ (loss) for the period from a discontinued operation	**–**	1,842	(1,153)	(5,014)	(5,154)
PROFIT FOR THE YEAR	**21,455**	228,650	27,020	491,832	311,035
OTHER COMPREHENSIVE INCOME					
Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods:					
Equity investments designated at fair value through other comprehensive income:					
Changes in fair value	**(1,245)**	–	–	–	–
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(1,245)**	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**20,210**	228,650	27,020	491,832	311,035

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December 2018

	For the Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Represented)	(Represented)	(Represented)
ATTRIBUTABLE TO:					
Owners of the parent	**41,667**	242,278	10,211	367,622	330,179
Non-controlling interests	**(21,457)**	(13,628)	16,809	124,210	(19,144)
	20,210	228,650	27,020	491,832	311,035
ASSETS AND LIABILITIES					
Non-current assets	**3,227,497**	3,144,853	3,165,852	3,075,952	1,959,087
Current assets	**3,544,706**	3,608,739	4,721,338	4,486,998	3,593,468
Current liabilities	**3,233,004**	3,306,640	4,054,876	2,678,496	3,065,090
Non-current liabilities	**1,448,043**	1,364,906	1,891,774	2,974,253	1,546,565
Non-controlling interests	**90,287**	113,565	180,385	162,581	44,884
Total equity	**2,091,156**	2,082,046	1,940,540	1,910,201	940,900