JIANDE INTERNATIONAL HOLDINGS LIMITED
建德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號：865

2018
ANNUAL REPORT
二零一八年年報

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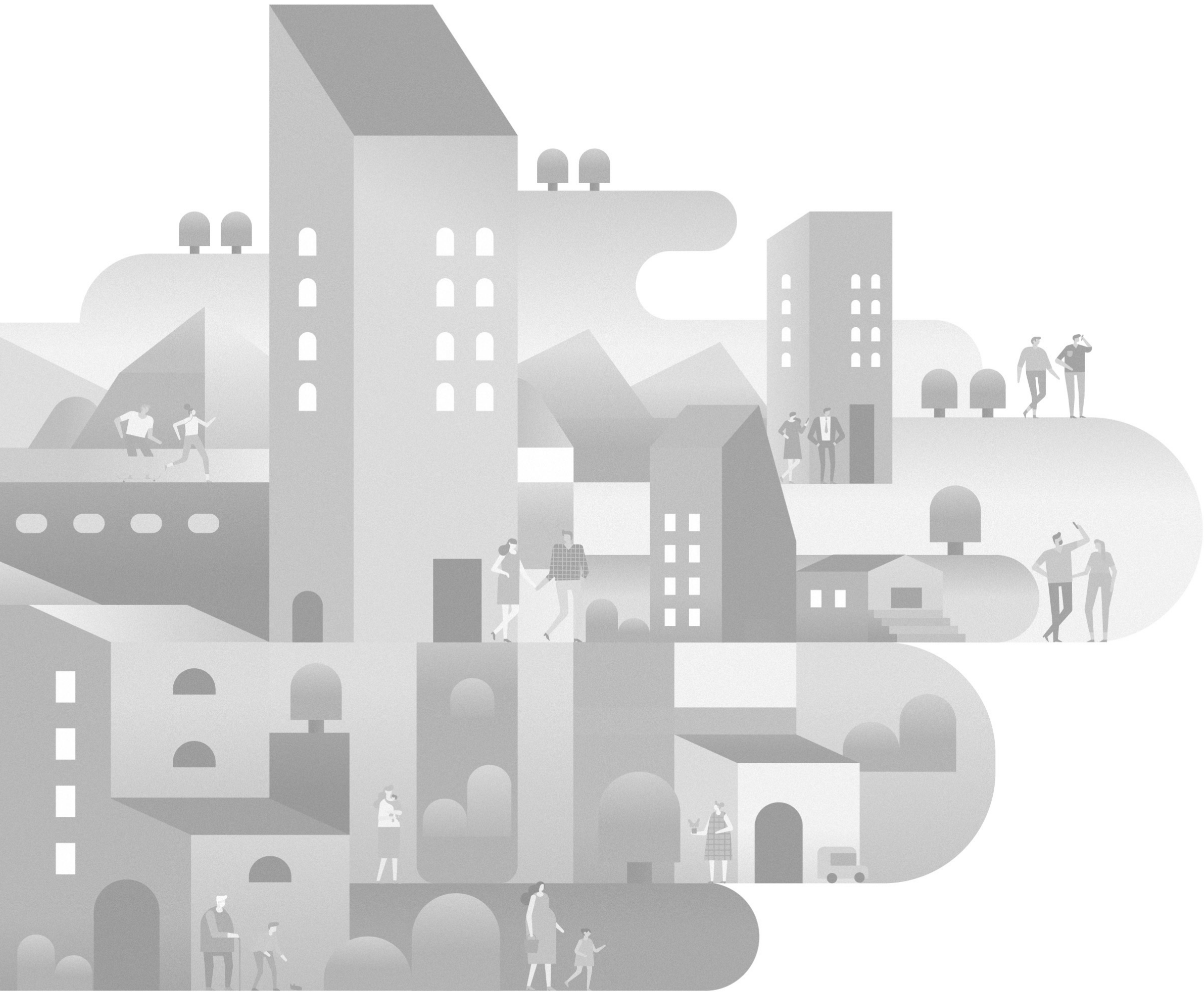

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shie Tak Chung *(Chairman)*
Mr. Tsoi Kin Sze *(Chief Executive Officer)*
Mr. Wu Zhisong
Mr. Lee Lit Mo Johnny

Independent Non-executive Directors

Mr. Ma Sai Yam
Mr. Zhang Senquan
Mr. Yang Quan

COMPANY SECRETARY

Mr. Wong Kin Tak *(ACCA, HKICPA)*

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISER

Loeb & Loeb LLP
21/F CCB Tower
3 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House, Cricket Square,
Grand Cayman KY1-1001
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, Fortress Tower
250 King's Road
Hong Kong

REGISTERED OFFICE

P.O. Box 10008
Willow House, Cricket Square
Grand Cayman KY1-1001
Cayman Islands

STOCK CODE

Listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the stock code 00865

CORPORATE WEBSITE

www.jiande-intl.com

Mr. Shie Tak Chung, aged 62, appointed as an executive director and the Chairman of the Company on 25 October 2016, is mainly responsible for the overall corporate development and strategic planning of the Group. Mr. Shie has over 20 years of management experience in the real estate industry in the PRC. Mr. Shie obtained a bachelor's degree majoring in International Economics and Trade from Xiamen University in January 2014 through online course. Mr. Shie holds a lot of important social positions, including committee member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會委員), council member of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會理事), vice president of Hong Kong Federation of Fujian Associations (香港福建社團聯會副主席), consultant of Fujian Chamber of Commerce (旅港福建商會顧問), deputy chairman of the Hong Kong Fujian Charitable Education Fund (香港福建希望工程基金會副主席), honorary president (life) of Shishi City Residents' Association (石獅市旅港同鄉公會永遠榮譽會長), honorary president (life) of the General Association of Xiamen (H.K.) Limited (香港廈門聯誼總會永遠名譽會長), council member of China Overseas Friendship Association (中華海外聯誼會理事), executive council member of Fujian Overseas Friendship Association (福建海外聯誼會常務理事), executive committee member of All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會常務委員) and executive deputy chairman of Share-Happiness Benevolent Fund Limited (香港樂群慈善基金會有限公司常務副主席). He is the brother-in-law of Mr. Lee Lit Mo Johnny.

Mr. Tsoi Kin Sze, aged 49, appointed as an executive director and Chief Executive Officer of the Company on 25 October 2016, is mainly responsible for the overall operation management of the Group. Mr. Tsoi has over 20 years of management experience in the real estate industry in the PRC. Mr. Tsoi holds a lot of important social positions, including standing committee member of Fujian Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省委員會常務委員), president of Hong Kong CPPCC of Fukien Province Members Association (福建省港區政協委員聯誼會會長), deputy chairman of Hong Kong Federation of Fujian Associations (香港福建社團聯會副主席) executive vice president of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會常務副會長), honorary president (life) of Hong Kong Quanzhou Clans United Association (香港泉州市同鄉總會永遠名譽會長) and chairman of Shishi Federation of Industry & Commerce (石獅市工商聯主席).

Mr. Wu Zhisong, aged 50, appointed as an executive director of the Company on 25 October 2016, is mainly responsible for the financial management and supervision of the Group. Mr. Wu has been the financial controller of Fujian Jiande Group Company Limited (福建建德集團有限公司) since December 2011 and was the financial controller of Shishi Jiande Property Development Company Limited (石獅市建德房地產有限公司) from August 2006 to December 2011. Prior to joining Shishi Jiande Property Development Company Limited, Mr. Wu worked as a civil servant at the National Tax Bureau of Quanzhou (泉州市國家稅務局). Mr. Wu holds important social positions, including representative of the Quangzhou Municipal People's Congress (泉州市人民代表大會代表) and executive committee member of Shishi Federation of Industry & Commerce (石獅市工商聯常委). Mr. Wu obtained a bachelor's degree majoring in applied chemistry from Huaqiao University (華僑大學) in July 1990. Mr. Wu has become a qualified intermediate accountant of the PRC since December 1999 and has become a qualified senior economist of the PRC since February 2015.

Mr. Lee Lit Mo Johnny, aged 47, appointed as an executive director of the Company on 25 October 2016, is mainly responsible for the strategic development of the Group. Mr. Lee has more than 10 years of experience in financial industry. Mr. Lee was an executive director of Juda International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1329), from August 2010 to December 2013. He was an associate director of direct investment division of CCB International Asset Management Limited from March 2006 to August 2008. From April 2001 to March 2006, Mr. Lee worked in Core Pacific-Yamaichi Capital Limited and was responsible for corporate finance transactions and handling initial public offering projects and resigned as a senior manager in March 2006. From September 1996 to April 2001, he worked initially as investment analyst and later as assistant fund manager at SIIC Asset Management Company Limited (formerly known as Seapower Asset Management Company Limited). Mr. Lee graduated from McGill University in Montreal, Canada with a bachelor's degree in Commerce majoring in Finance and Management Information Systems in June 1995. He is the brother-in-law of Mr. Shie Tak Chung.

Mr. Ma Sai Yam, aged 55, appointed as an independent non-executive director of the Company on 25 October 2016, is a practicing solicitor in Hong Kong and has accumulated over 20 years of experience in the legal field. He was admitted to practice law as a solicitor in Hong Kong in September 1997 and has been a member of The Law Society of Hong Kong since then. Mr. Ma has been a partner and a practicing solicitor of Ma Tang & Co., since March 2002. Prior to his current position, he had served as a consultant and a practicing solicitor of Tang, Lai & Leung from June 2000 to March 2002. His experience in corporate governance and management of listed companies include his current appointments as an independent non-executive director and a member of the audit, nomination and remuneration committees of Golden Power Group Holdings Limited, the shares of which are listed on the Main Board (stock code: 3919) and transferred from GEM of the Stock Exchange (stock code: 8038) on 10 November 2017, with effect from May 2015. Mr. Ma graduated from the University of London in the United Kingdom as an external student in August 1991 with a Bachelor's science degree in Economics. He subsequently obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 1995 and a Master degree in laws from Renmin University of China in the PRC in January 2012.

Mr. Zhang Senquan, formerly known as Zhang Min, aged 42, was appointed as an independent non-executive director of the Company on 25 October 2016. Mr. Zhang is the chief executive officer of Zhong Rui Capital (Hong Kong) Limited (中瑞資本(香港)有限公司), a consultancy company, and also served as the managing director of Southwest Securities International Securities Limited, the shares of which are listed on the Stock Exchange (stock code: 812). Mr. Zhang currently is an independent non-executive director of Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 6188), and an independent non-executive director of Natural Food International Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 1837). He is a member of Hong Kong Institute of Certified Public Accountants, China Institute of Certified Public Accountants and American Institute of Certified Public Accountants. Mr. Zhang used to be the independent director of Topchoice Medical Investment Co. Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600763SH), from December 2014 to March 2017, and the independent non-executive director of Casablanca Group Limited, the shares of which are listed on the Stock Exchange (stock code: 2223), from April 2015 to April 2018. He was the chief financial officer and joint company secretary of Huazhong In-Vehicle Holdings Company Limited, the shares of which are listed on the Stock Exchange (stock code: 6830) from May 2014 to July 2015. He served as head of the Strategic Development Department of Goodbaby International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1086), from March 2013 to April 2014. He has more than 10 years of professional experience in accounting and auditing, and worked at Ernst & Young, KPMG and Deloitte Touche Tohmatsu serving several positions from audit staff to audit partner from 1999 to 2012. Mr. Zhang received his bachelor's degree in economics from Fudan University in 1999.

Mr. Yang Quan, aged 48, was appointed as an independent non-executive director of the Company on 25 October 2016. Mr. Yang became an assistant professor of the School of Economics of Xiamen University in July 2006, an associate professor in August 2009 and a professor in August 2014. He was a visiting scholar of Cornell University in the United States of America from January 2011 to January 2012 and Durham University Business School in the United Kingdom from October 2017 to October 2018. Mr. Yang graduated from East China Institute of Chemical Technology (currently known as "East China University of Science and Technology") with a bachelor's degree in environmental supervision from the environmental engineering faculty in July 1991. He obtained a Master's degree in commercial economics in July 1997 and a doctor's degree in global economic in June 2006 from Xiamen University.

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of Jiande International Holdings Limited (the “Company”), I hereby present to you the annual report of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2018.

Looking back to 2018, “houses are for living in, not for speculation” and curbing the property speculation and rapidly rising property prices remained the major principles of real estate policies in the PRC. During the year, the Chinese central government tightened its macro-control policies on real estate, and regional government intensively launched regional restrictive measures on property purchase, pricing and credit. As a result, the trend of rapid increase of property prices was stabilized, and the overall real estate sector maintained stable growth.

Revenue for the year ended 31 December 2018, which continued to be derived from the sale of properties of The Cullinan Bay and the Binjiang International projects of the Group, was RMB159,959,000 and declined 55.1% from RMB355,869,000 for the year ended 31 December 2017. The Group recorded net profit attributable to owners of the Company for the year ended 31 December 2018 of RMB10,954,000, representing a decrease of 49.5% from RMB21,695,000 for the year ended 31 December 2017.

Management expects the outlook in 2019 to continue to be challenging, and stabilization on the real estate market will play an important role in stabilizing economic development under the macro background of increasing economic downward pressure. Under the premise of “houses are for living in, not for speculation”, “implementation of policies based on situations of various cities”, promoting the balance between supply and demand and the establishment of a long-term stable and healthy development mechanism of the property market will remain the important measures for adjusting and controlling policies.

I wish to take this opportunity to express my gratitude for the support from the Group’s business partners and customers over the years. Also, I would like to thank my fellow Directors for their invaluable advice and guidance, and to each and every staff member for their hard work and unwavering commitment to the Group.

Shie Tak Chung
Chairman

29 March 2019

INDUSTRY REVIEW

During 2018, “houses are for living in, not for speculation” and curbing the property speculation and rapidly rising property prices remained the major principles of real estate policies in the PRC. According to the National Bureau of Statistics, the gross floor area of commodity properties sold in the PRC amounted to 1,716.54 million square meters for 2018, representing an increase of 1.3% as compared with that of last year, and the sales of commodity properties amounted to RMB14,997.3 billion, representing a year-on-year increase of 12.2%. During the year, the Chinese central government tightened its macro-control policies on real estate, and regional government intensively launched regional restrictive measures on property purchase, pricing and credit. As a result, the trend of rapid increase of property prices was stabilized, and the overall real estate sector maintained stable growth.

BUSINESS REVIEW AND PROSPECT

For the year ended 31 December 2018, the Group remained focused on its two residential property projects, i.e. the Binjiang International project in Quanzhou, Fujian Province and The Cullinan Bay project in Yangzhou, Jiangsu Province. In addition to ongoing sales of the existing completed property units in the Binjiang International and Phase 1 of The Cullinan Bay projects, the Group began to deliver certain of the residential properties of Phase 2 of The Cullinan Bay project during the year and will continue to develop the remaining part of The Cullinan Bay project.

Management expects the outlook in 2019 to continue to be challenging, and stabilization on the real estate market will play an important role in stabilizing economic development under the macro background of increasing economic downward pressure. Under the premise of “houses are for living in, not for speculation”, “implementation of policies based on situations of various cities”, promoting the balance between supply and demand and the establishment of a long-term stable and healthy development mechanism of the property market will remain the important measures for adjusting and controlling policies.

In terms of business strategy, the Group will keep focusing on the development of quality properties accompanied with a living community to customers, particularly in those cities in the PRC where the rigid demand for housing remain strong due to the Chinese government’s urbanization and shanty town renovation plans. The Group has been actively looking for new property development projects and will also explore other business opportunities to maximize long-term shareholder value.

FINANCIAL REVIEW

Financial Performance

The Group’s revenue for the year ended 31 December 2018 continued to be derived from the sale and delivery of properties of The Cullinan Bay and the Binjiang International projects to customers, net of discounts and sales related taxes. Revenue declined 55.1% from RMB355,869,000 for the year ended 31 December 2017 to RMB159,959,000 for the year ended 31 December 2018, primarily attributable to the decrease in delivery of the completed residential properties of The Cullinan Bay project during the year.

Along with the reduction of revenue, gross profit of the Group decreased by 21.2% from RMB61,102,000 for the year ended 31 December 2017 to RMB48,164,000 for the year ended 31 December 2018, whereas the gross profit margin improved from 17.2% for the year ended 31 December 2017 to 30.1% for the year ended 31 December 2018, mainly due to the upward adjustment of average selling price of the properties in The Cullinan Bay project sold.

Selling expenses decreased by 44.0% from RMB8,433,000 for the year ended 31 December 2017 to RMB4,720,000 for the year ended 31 December 2018, as a result the decrease in advertising and promotion costs and the adjustment of certain sales agent commission expense of RMB1,817,000 upon the initial adoption of HKFRS 15 by the Group at 1 January 2018.

Administrative expenses decreased by 10.3% from RMB17,742,000 for the year ended 31 December 2017 to RMB15,909,000 for the year ended 31 December 2018, mainly due to the cost control measures taken by the Group during the year.

Effective tax rate calculated based on income tax expense divided by profit before tax increased from 52.8% for the year ended 31 December 2017 to 66.1% for the year ended 31 December 2018, primarily due to the prior year's underprovision of PRC LAT of RMB29,750,000, net of the prior year's overprovision of PRC EIT of RMB16,673,000 after the Group completed the settlement of LAT and EIT of its Binjiang International project with the relevant tax authority.

Liquidity and Financial Resources

As at 31 December 2018, the Group had total assets of RMB1,226,242,000 which were financed by total equity of RMB638,988,000 and total liabilities of RMB587,254,000.

The Group's working capital requirements were mainly financed by internal resources. As at 31 December 2018 the Group had time deposits, bank balances and cash of RMB195,122,000 (2017: RMB150,851,000) and no bank borrowings (2017: Nil).

Current ratio of the Group was 1.84 times as at 31 December 2018 (2017: 2.19 times).

Foreign Exchange Exposure

Major subsidiaries of the Company operate in the PRC and all the business transactions of the Group are denominated in RMB. Net foreign exchange loss for the year ended 31 December 2018 primarily resulted from the translation of the bank balance and cash denominated in currencies other than RMB into RMB. Currently, the Group does not use derivative financial instruments and has not entered into any derivative contracts. However, the management will monitor the currency fluctuation exposure and will consider hedging significant foreign exchange risk should the need arises.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 34 full-time employees, excluding the Directors, in the PRC. During the year ended 31 December 2018, the total staff costs, including Directors' remuneration, was RMB7,163,000 (2017: RMB7,575,000). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration and benefit package to its employees. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident fund, pension, medical, maternity, work injury insurance and unemployment benefit plans.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), aiming to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the shareholders of the Company. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Company shall take into account, inter alia, the following factors:

— the Group's operating results, actual and expected financial performance;
— retained earnings and distributable reserves of the Company and each of the members of the Group;
— the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
— the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
— the Group's liquidity position;
— general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Group; and
— any other factors that the Company may deem appropriate and relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rule and regulations and the Articles of Association of the Company. Any declaration and payment of future dividend under the Dividend Policy are subject to the Board's determination that the same would be in best interests of the Group and the shareholders of the Company as a whole.

The board (the "Board") of Directors of the Company herein present their report and the audited financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the development and sale of properties in the PRC. Details and principal activities of the Company's subsidiaries are set out in note 38 to the consolidated financial statements. There was no significant change in the nature of the Group's principal activities during the year ended 31 December 2018.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 34 to 112 of this annual report.

The Board does not recommend the payment of any dividend in respect of the year (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 37 of this annual report and in note 39 to the consolidated financial statements, respectively.

As at 31 December 2018, the distributable reserves of the Company as calculated in accordance with the relevant provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to RMB501,543,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, sales to the Group's five largest customers accounted for approximately 4.5% of the total sales for the year and sales to the largest customer included therein amounted to approximately 1.0%. Purchases from the Group's five largest suppliers accounted for approximately 80.0% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 53.0%. None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 113 to 114 of this annual report. This summary does not form part of the audited financial statements included in this annual report.

DIRECTORS

The Directors, comprising executive directors (the "Executive Directors") and independent non-executive directors (the "Independent Non-executive Directors"), during the year and up to the date of this report of the directors were as follows:

Executive Directors

Mr. Shie Tak Chung *(Chairman)*
Mr. Tsoi Kin Sze *(Chief Executive Officer)*
Mr. Wu Zhisong
Mr. Lee Lit Mo Johnny

Independent Non-executive Directors

Mr. Ma Sai Yam
Mr. Zhang Senquan
Mr. Yang Quan

In accordance with clause 108 of the Company's articles of association (the "Articles"), Messrs. Tsoi Kin Sze, Lee Lit Mo Johnny and Zhang Senquan will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 3 to 5 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in note 12 to the consolidated financial statements.

The remuneration of the Directors is principally determined with reference to the balance of skill and experience appropriate to the Group's business.

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 during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, so far as is known to the Directors, the interests or short positions of the Directors and the chief executive of the Company and their associates in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long Position in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Approximate Percentage of issued share capital of the Company
Shie Tak Chung	Interest of a controlled corporation	2,043,296,394 (Note 1)	35%
Tsoi Kin Sze	Interest of a controlled corporation	2,043,296,394 (Note 2)	35%

Notes:

1. Fame Build Holdings Limited ("Fame Build"), a company incorporated in the British Virgin Islands, is the registered owner of these shares. As at 31 December 2018 and up to the date of this report of directors, Fame Build was solely and beneficially owned by Mr. Shie Tak Chung.

2. Talent Connect Investments Limited ("Talent Connect"), a company incorporated in the British Virgin Islands, is the registered owner of these shares. As at 31 December 2018 and up to the date of this report of directors, Talent Connect was solely and beneficially owned by Mr. Tsoi Kin Sze.

Save as disclosed above, as at 31 December 2018, none of the Directors and the chief executive of the Company and their associates had interests or short positions in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as is known to the Directors, the following entities, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares 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:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate Percentage of issued share capital of the Company
Fame Build	Beneficial owner	2,043,296,394	35%
Talent Connect	Beneficial owner	2,043,296,394	35%

Save as disclosed above, as at 31 December 2018, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares 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.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received the confirmations signed by Mr. Shie Tak Chung, Mr. Tsoi Kin Sze, Fame Build and Talent Connect (collectively, the "Covenantors") on 25 March 2019 (collectively, the "Confirmations") confirming that for the year ended 31 December 2018 and up to the date of signing the Confirmations by the Covenantors, each of them has fully complied with the deed of non-competitions respectively executed by the Covenantors in favour of the Group on 26 February 2016 (the "Deed of Non-Competition") and, in particular, each of them and their respective associates have not, directly or indirectly, own, invest in, carry on, participate in, develop, operate or be interested or engaged in or acquire or hold any activity or business which is or may be in competition, directly or indirectly, with the business carried on or contemplated to be carried on by any member of the Group (being the property development of residential and commercial properties) from time to time in the PRC.

The Independent Non-executive Directors have reviewed the Confirmations and all of them are satisfied that the Deed of Non-Competition have been complied with during the year ended 31 December 2018.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 27 of this annual report.

EVENT AFTER THE REPORTING DATE

There were no significant events that have occurred subsequent to the end of the reporting period of the Company and up to the date of this report of directors.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2018 have been audited by Deloitte Touche Tohmatsu ("Deloitte"), who will retire at the forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Deloitte as auditors of the Company.

On behalf of the Board
Shie Tak Chung
Chairman

29 March 2019

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholders' value.

To the best knowledge of the Directors, the Company has complied with the code provisions as set out in Appendix 14 of the Listing Rules — Corporate Governance Code and Corporate Governance Report (the "CG Code") during the year ended 31 December 2018, except the deviation disclosed in the following paragraph:

With respect to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. At the annual general meeting of the Company held on 24 May 2018, one independent non-executive Director was absent due to other business engagement.

The Board is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders of the Company and to enhance accountability and transparency. The Company considers that sufficient measures have been taken to ensure compliance with the CG Code.

DIRECTORS

The Board

The Board, led by the chairman, steers the Company's business direction. It is responsible for formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis. The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. The Directors can attend meetings in person or through electronic means of communication in accordance with the Articles.

Board Composition

The Board currently comprises a total of seven Directors, being four Executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report. In addition, an updated list of the Company's Directors by category identifying their role and function is at all times available on the websites of the Stock Exchange and the Company respectively. The list specifies whether the Director is an Independent Non-executive Director and expresses the respective roles and functions of each Director.

The Board is characterised by significant diversity and has a balance of skills and experience appropriate for the direction and oversight of the Group's strategic priorities. The Directors give sufficient time and attention to the affairs of the Group. All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

The Board Diversity Policy

The Company recognises and embraces the benefits of a diversity of Board members and has adopted a policy of the Board diversity (the "Board Diversity Policy"). The Board Diversity Policy endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments shall continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be made according to the merits of candidates and their contribution to the Board.

Independent Element on the Board

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgement. Save for those as disclosed in the section headed "Directors' Biographies" of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

The Independent Non-executive Directors play an important role on the Board. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise.

The Board has received from each of its Independent Non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent. The Company identifies the Independent Non-executive Directors in all corporate communications which disclose the names of directors.

Role and Function of the Board and the Management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee and the Compliance Committee. Further details of these Board committees are set out in this report.

Chairman and CEO

The Company fully supported the division of responsibility between the chairman of the Board (the "Chairman") and the chief executive officer of the Company ("CEO") to ensure a balance of power and authority. During the year ended 31 December 2018, the positions of the Chairman and CEO were held by Mr. Shie Tak Chung and Mr. Tsoi Kin Sze, respectively. This ensures a clear distinction between the Chairman's duty to manage the Board and the CEO's duty to oversee the overall internal operation of the Company.

Records of Meetings of the Board and the Board Committees

The board shall meet regularly and at least four times a year at approximately quarterly intervals under code provision A.1.1 of the CG Code, the chairman should at least annually, hold meetings with the non-executive directors (including Independent Non-executive Directors) without the Executive Directors present under the code provision A.2.7 of the CG Code, and the audit committee must meet, at least twice a year, with the issuer's auditors under code provision C.3.3(e)(i) of the CG Code.

During the year ended 31 December 2018, the Board met four times, the Chairman held a meeting with all the Non-executive Directors without the presence of other Executive Directors, and the Audit Committee met three times with the Company's auditors. Attendance of individual Directors at the meetings of the Board and the Board committees for the year ended 31 December 2018 is as follows:

	Number of meetings attended/eligible to attend				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	Compliance Committee
Executive Directors					
Shie Tak Chung	4/4	1/1	1/1	0/0	0/0
Tsoi Kin Sze	4/4	0/0	0/0	0/0	0/0
Wu Zhisong	4/4	0/0	0/0	0/0	0/0
Lee Lit Mo Johnny	4/4	0/0	0/0	0/0	2/2
Independent Non-executive Directors					
Ma Sai Yam	4/4	1/1	1/1	3/3	2/2
Zhang Senquan	4/4	1/1	1/1	3/3	2/2
Yang Quan	4/4	0/0	0/0	3/3	0/0

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings. Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least 3 days before the intended date of each Board or Board committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, keep the Directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, the Directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all meetings of the Board and the Board committees are kept by the company secretary. All of the above minutes record the discussions and decisions reached by the relevant members in sufficient detail the matters considered and decisions reached, including any concern raised by Directors or dissenting views expressed. Any Director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version is sent to all Directors or committee members for their record.

Appointment and Re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will give adequate consideration to the Board Diversity Policy and review the profiles of the candidates and make recommendations to the Board on the appointment, re-appointment and nomination of Directors.

According to article 112 of the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. According to article 108 of the Articles, at each annual general meeting of the Company (the "AGM"), one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years while those retiring Directors shall be eligible for re-election.

All Directors have entered into service contracts or letters of engagement with the Company for a term of not more than three years.

Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in securities of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the Model Code.

Employees who are likely to possess inside information in relation to the Company or its shares are prohibited from dealing in shares of the Company during the black-out period.

Insurance for Directors' and Officers' Liabilities

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

Directors' Training and Professional Development

The Directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of their responsibilities. Every newly appointed Director will be given an introduction of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practices. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the year ended 31 December 2018:

	Read materials	Attend seminars/ briefing
Executive Directors		
Shie Tak Chung	✓	✓
Tsoi Kin Sze	✓	✓
Wu Zhisong	✓	✓
Lee Lit Mo Johnny	✓	✓
Independent Non-executive Directors		
Ma Sai Yam	✓	✓
Zhang Senquan	✓	✓
Yang Quan	✓	✓

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibility for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditors of the Company, Deloitte, regarding their reporting responsibilities on the financial statements of the Group for the year ended 31 December 2018 is set out in the section headed "Independent Auditor's Report" of this annual report.

The Directors, having made appropriate reasonable enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out in the audited financial statements on pages 34 to 112 of this annual report on a going concern basis. As at the date of this annual report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the section headed "Management Discussion and Analysis" of this annual report.

Access to Information

The management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Risk Management and Internal Control

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and stakeholders' interests, as well as for reviewing the effectiveness of the systems through the support of internal audit and the Audit Committee.

Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish internal audit department, the Board conducted annual review of the Company's risk management and internal control systems through engaging ZHONGHUI ANDA Risk Services Limited (the "IC Advisor") to perform review and assessment of the effectiveness of the Company's risk management and internal control systems which implemented material controls covering the financial, operational, compliance and risk management aspects of the Group for the year ended 31 December 2018 and reported to the Board. The Board considered that internal audits have been implemented and provided the Board with reasonable assurance that the processes of the Company operate as designed; and the risk management and internal control systems of the Group are effective and adequate.

Auditors' Remuneration

For the year ended 31 December 2018, the remuneration paid/payable for services provided by the auditors of the Company, Deloitte, is as follows:

	RMB'000
Services rendered	
Statutory audit services	1,224
Non-audit services	332

BOARD COMMITTEES

Composition of the Board Committees

The Board delegates its powers and authorities from time to time to the Board committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board committees are provided with accurate and sufficient information in timely manner so as to enable the Board committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

During the year ended 31 December 2018, the Board had four Board committees, namely the Nomination Committee, Remuneration Committee, Audit Committee and Compliance Committee.

The table below provides membership information of these committees on which the relevant Board members serve:

	Nomination Committee	**Remuneration Committee**	**Audit Committee**	**Compliance Committee**
Executive Directors				
Shie Tak Chung	Chairman	Member		
Tsoi Kin Sze				
Wu Zhisong				
Lee Lit Mo Johnny				Member
Independent Non-executive Directors				
Ma Sai Yam	Member	Chairman	Member	Chairman
Zhang Senquan	Member	Member	Chairman	Member
Yang Quan			Member	

The terms of reference of each of the Board committees which deal clearly with its authorities and duties are made available on the websites of the Stock Exchange and the Company respectively.

Nomination Committee

The principal duties of the Nomination Committee include, amongst other things:

— reviewing the structure, size and composition (including the skills, knowledge and experience required) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships when a vacancy occurs on the Board;

— make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors;

— reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives; and

— assessing the independence of Independent Non-executive Directors.

For the year ended 31 December 2018, the Nomination Committee held one (1) meeting. Details of the committee members' attendance are set out under "Records of Meetings of the Board and the Board Committees" above.

There was no nomination of new Director during the year ended 31 December 2018.

The summary of the work of the Nomination Committee for the year ended 31 December 2018 is as below:

— made recommendations to the Board on the re-election of Directors at the forthcoming annual general meeting of the Company;

— assessed the independence of Independent Non-executive Directors; and

— reviewed the structure, size and composition of the Board.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

Remuneration Committee

The principal duties of the Remuneration Committee include, amongst other things:

— making recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management;

— reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

— determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, and the remuneration of non-executive Directors;

— ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

— reviewing and making recommendations on the roles and responsibilities, training and professional development of the senior management team.

For the year ended 31 December 2018, the Remuneration Committee held one (1) meeting. Details of the committee members' attendance are set out under "Records of Meetings of the Board and the Board Committees" above.

The summary of the work of the Remuneration Committee for the year ended 31 December 2018 is as below:

— reviewed the existing policy and structure of the remuneration of the executive Directors;

— reviewed the existing remuneration package of the independent non-executive Directors; and

— reviewed the existing policy and structure of the remuneration of management of the Group.

The Remuneration Committee may consult the Chairman and/or the CEO of the Company about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

Details of the remuneration paid to the Directors and senior management are set out in notes 12 and 37 to the consolidated financial statements. The remunerations of each of the five highest paid individuals who are also the senior management members of the Group during the years ended 31 December 2018 are within HK$1,000,000. Four of the five highest paid employees for the year ended 31 December 2018 are Directors of the Company.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

Audit Committee

The principal duties of the Audit Committee include, amongst other things:

— overseeing the relationship with the Company's auditor;

— reviewing the Company's interim and annual reports and financial statements;

— overseeing the Company's financial reporting system, risk management and internal control systems; and

— reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

For the year ended 31 December 2018, the Audit Committee held three (3) meetings. Details of the committee members' attendance are set out under "Records of Meetings of the Board and the Board Committees" above.

The summary of the work of the Audit Committee for the year ended 31 December 2018 is as below:

— reviewed the annual results announcement and annual report of the Group, including the accounting principles and practices adopted for the preparation of financial statements, for the financial year ended 31 December 2017 before submission to the Board for approval and publication;

— reviewed the interim results announcement and interim report of the Group, including the accounting principles and practices adopted for the preparation of financial statements, for the six months ended 30 June 2018 before submission to the Board for approval and publication;

— met with the auditors to discuss the accounting and audit or review issues of the Group and reviewed their findings, recommendations and independency;

— reviewed the Group's risk management and internal control systems based on the reports submitted by the IC Advisor; and

— reviewed the compliance with the non-competition undertaking by the Covenantors under the deed of non-competitions, of which the details on the compliance and enforcement of the undertaking are set out in the Report of Directors on pages 10 to 15 of this annual report.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

Chaired by Mr. Zhang Senquan who possesses the appropriate professional accounting qualifications and financial management expertise, the Audit Committee comprises all Independent Non-executive Directors. None of the members of the Audit Committee are former partners of the existing auditors of the Company.

There was no disagreement between the Audit Committee and the Directors in respect of matters about selection, appointment, resignation or dismissal of an external auditor during the year ended 31 December 2018.

The Audit Committee has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2018, including the accounting principles and practices adopted.

Compliance Committee

The principal duties of the Compliance Committee include, amongst other things:

— reviewing and making recommendations to the Board in respect of policies and practices on compliance with any requirement, direction or regulation that may be prescribed by the Board, contained in any of the constitutional documents, or imposed by the Listing Rules or other applicable laws, regulations, rules or codes;

— ensuring that appropriate monitoring systems are in place to ensure compliance with the relevant internal control systems, processes and policies;

— monitoring the implementation of the Group's plan to maintain high standards of compliance with its own risk management standards; and

— taking remedial actions against any material deficiencies on legal and compliance aspects of the Company and keep the Board abreast of any such actions and/or developments.

For the year ended 31 December 2018, the Compliance Committee held two (2) meetings. Details of the committee members' attendance are set out under "Records of Meetings of the Board and the Board Committees" above.

The summary of the work of the Compliance Committee for the year ended 31 December 2018 is as below:

— reviewed the compliance with the applicable legal and regulatory requirements and the CG Code by the Group; and

— made recommendations to the Board for the reinforcement on the corporate governance practices.

The Compliance Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Compliance Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Compliance Committee.

COMPANY SECRETARY

The position of the Company Secretary is held by Mr. Wong Kin Tak, who is a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. During the year ended 31 December 2018, Mr. Wong has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

COMMUNICATIONS WITH SHAREHOLDERS

All of the Company's shares are ordinary shares carrying equal voting rights. As at the date of this annual report, sufficient shares of the Company were on public float as required by the Listing Rules.

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders through the publication of notices, announcements, circulars, interim and annual reports. Shareholders may access the Company's website at www.jiande-intl.com for the Group's information. Shareholders may also put to the Board any enquiries about the Group in writing by sending emails to ir@jiande-itl.com or mail to the principal office of the Company at Room 1910, Fortress Tower, 250 King's Road, Hong Kong. The Directors, company secretary or other appropriate members of senior management respond to enquiries from shareholders in a timely manner.

The general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors shall make an effort to attend the general meeting to address queries raised by shareholders. External auditors are also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

Pursuant to article 64 of the Articles, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business (including any proposals) specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

During the year ended 31 December 2018, all Directors, except for one Independent Non-executive Director who was absent due to other business engagement, attended the AGM held on 24 May 2018 in Hong Kong.

Deloitte. 德勤

TO THE SHAREHOLDERS OF JIANDE INTERNATIONAL HOLDINGS LIMITED
建德國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiande International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 112, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties, including those investment properties classified as held for sale, as a key audit matter as it is quantitative significant to the consolidated financial statements as a whole, combined with the significant estimates required in determining the fair values. As at 31 December 2018, the Group's investment properties, including those investment properties classified as held for sale, comprised a kindergarten property and car parking spaces located in Huian, Fujian Province, the People's Republic of China (the "PRC"), were stated at fair value amounted to Renminbi ("RMB") 110,101,000, and the fair value change of investment properties for the year then ended amounted to RMB751,000. As set out in notes 3, 4, 18 and 23 to the consolidated financial statements, all of the Group's investment properties, including those investment properties classified as held for sale, were measured using the fair value model based on a valuation performed by independent qualified professional valuers (the "Valuers"). In estimating the fair values of the Group's investment properties, the directors of the Company worked with the Valuers to establish the appropriate valuation techniques and inputs to the model. The valuation of civil defense car parking spaces and kindergarten property was determined based on investment approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests. It was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. The valuation of non-civil defense car parking spaces was determined based on direct comparison approach by referencing to recent market transaction prices of similar properties in the similar locations with adjustments of other individual factors. The key inputs in evaluating the investment properties are term yield, reversionary yield and monthly market rent of comparable properties of civil defense car parking space and kindergarten, and recent market transaction prices per car parking space of comparable properties.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of the Valuers' scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuers' valuation approach to assess if they were consistent with the industry norms; • Obtaining an understanding from the management and Valuers about the key inputs to the valuation; • Evaluating the reasonableness of the key inputs underpinning the valuation, such as term yield, reversionary yield and monthly market rent of comparable properties of civil defense car parking space and kindergarten, and recent market transaction prices per car parking space of comparable properties, by comparing these key inputs to other comparable in similar locations, recent lease renewals and transaction prices of comparable properties; and • Comparing other inputs used in the investment approach and the direct comparison approach, on a sample basis, with the Group's records including underlying leases of the kindergarten property and the car parking spaces and recent sales agreements of car parking spaces.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of properties held for sale	
We identified the valuation of properties held for sale as a key audit matter as it is quantitative significant to the consolidated financial statements as a whole, combined with the significant management estimates are involved in determining the net realisable value ("NRV") of properties held for sale. As at 31 December 2018, the Group had properties held for sale at a carrying amount of RMB690,043,000, which included completed properties of RMB290,422,000 and properties under development of RMB399,621,000, which are located in Fujian Province and Jiangsu Province in the PRC, as disclosed in note 19 to the consolidated financial statements. These properties held for sale were stated at the lower of cost and NRV on an individual property basis. As disclosed in note 4 to the consolidated financial statements, NRV was estimated at the estimated selling price less estimated costs to complete and estimated costs necessary to make the sales by reference to the similar properties in similar locations. An allowance is made if the estimated NRV is less than the carrying amount.	Our procedures in relation to the valuation of properties held for sale included: • Obtaining an understanding of the control over the preparation and monitoring of the management budgets of construction and other costs for key property development project; • Evaluating the appropriateness of the estimated selling prices, on a sample basis, by comparing it with recent sales transactions for similar properties in similar locations to assess the lower of cost or NRV; and • Evaluating the reasonableness of the estimated cost to completion of properties under development on a sample basis, by comparing them on similar projects to actual construction cost incurred for the properties developed by the Group and the latest market data.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Lam, Lawrence.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	5	**159,959**	355,869
Cost of sales		**(111,795)**	(294,767)
Gross profit		**48,164**	61,102
Other income	6	**4,862**	3,257
Other losses	7	**(44)**	(498)
Impairment losses, net of reversal	8	**–**	(2,471)
Fair value change of investment properties	18	**751**	13,210
Selling expenses		**(4,720)**	(8,433)
Administrative expenses		**(15,909)**	(17,742)
Finance costs	9	**–**	(1,435)
Profit before tax		**33,104**	46,990
Income tax expense	10	**(21,873)**	(24,818)
Profit and total comprehensive income for the year	11	**11,231**	22,172
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**10,954**	21,695
Non-controlling interests		**277**	477
		11,231	22,172
		RMB	RMB
Earnings per share	15		
— Basic		**0.19 cents**	0.37 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Plant and equipment	17	**411**	502
Investment properties	18	**109,580**	112,827
Deferred tax assets	28	**11,312**	5,660
Time deposits	22	**60,000**	70,000
		181,303	188,989
CURRENT ASSETS			
Properties held for sale	19	**690,043**	675,952
Trade and other receivables	20	**59,363**	39,369
Contract costs	21	**2,712**	–
Prepaid land appreciation tax		**21,337**	13,437
Restricted bank deposits	22	**135,841**	38,348
Bank balances and cash	22	**135,122**	80,851
		1,044,418	847,957
Assets classified as held for sale	23	**521**	774
		1,044,939	848,731
CURRENT LIABILITIES			
Trade payables	24	**16,478**	3,304
Other payables and accruals	25	**84,393**	107,744
Pre-sales proceeds received on sales of properties	26	**–**	242,733
Pre-sales proceeds received on sales of investment properties	23	**535**	260
Contract liabilities	27	**447,677**	–
Amount due to a related party	29	**2,283**	–
Income tax and land appreciation tax payable		**16,488**	33,228
		567,854	387,269
NET CURRENT ASSETS		**477,085**	461,462
TOTAL ASSETS LESS CURRENT LIABILITIES		**658,388**	650,451
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	**19,400**	22,358
NET ASSETS		**638,988**	628,093

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
CAPITAL AND RESERVES			
Share capital	30	**25,451**	25,451
Reserves		**603,486**	592,868
Equity attributable to owners of the Company		**628,937**	618,319
Non-controlling interests		**10,051**	9,774
TOTAL EQUITY		**638,988**	628,093

The consolidated financial statements on pages 34 to 112 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

Mr. Shie Tak Chung,
DIRECTOR

Mr. Tsoi Kin Sze,
DIRECTOR

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Issue equity										
	Share capital RMB'000	Other reserve RMB'000 (Note c)	Share premium RMB'000	Shareholders' contribution RMB'000 (Note a)	Other non-distributable reserve RMB'000 (Note b)	Other reserve RMB'000 (Note d)	Reorganisation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	25,451	524,285	193,733	59,139	10,517	(5,801)	187,822	(398,522)	596,624	9,297	605,921
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	21,695	21,695	477	22,172
Transfer to non-distributable reserve	–	–	–	–	221	–	–	(221)	–	–	–
At 31 December 2017	25,451	524,285	193,733	59,139	10,738	(5,801)	187,822	(377,048)	618,319	9,774	628,093
Adjustments (see note 2)	–	–	–	–	–	–	–	(336)	(336)	–	(336)
At 1 January 2018 (restated)	25,451	524,285	193,733	59,139	10,738	(5,801)	187,822	(377,384)	617,983	9,774	627,757
Profit and total comprehensive income for the year	-	-	-	-	-	-	-	10,954	10,954	277	11,231
Transfer to non-distributable reserve	-	-	-	-	198	-	-	(198)	-	-	-
At 31 December 2018	25,451	524,285	193,733	59,139	10,936	(5,801)	187,822	(366,628)	628,937	10,051	638,988

Notes:

(a) Immediately before the resumption of trading the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 October 2016, the amounts advanced from Mr. Shie Tak Chung and Mr. Tsoi Kin Sze to the Group in prior years amounting to RMB59,139,000 were waived and such waived amounts were recognised as shareholders' contribution.

(b) Other non-distributable reserve principally represent statutory reserves required to be appropriated from profit after income tax of the subsidiaries established in the People's Republic of China (the "PRC"), under the relevant laws and regulations. Allocation to the statutory reserves shall be approved by the board of directors of the relevant subsidiaries. The appropriation to statutory reserves may cease if the balance of the statutory reserves has reached 50% of the registered capital of the respective subsidiaries. The statutory reserves may be used to make up losses or for conversion into capital. The relevant subsidiaries may, upon the approval by a resolution of shareholders' general meeting/board of directors' meeting, convert their statutory reserves into capital in proportion to their then existing shareholdings. However, when converting the statutory reserves into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant subsidiary.

(c) The amount included in other reserve represents the deemed listing expenses incurred upon the reverse asset acquisition of the Company by China General (HK) Company Limited ("China General") completed on 25 October 2016 which was measured at the fair value of the equity consideration deemed to be issued to the former shareholders of the Company amounted to Hong Kong Dollar ("HK$" or "HKD") 621,746,000 (equivalent to RMB542,101,000), less the amount of 4,086,592,788 consideration share issued at HK$0.005 per share amounted to HK$20,433,000 (equivalent to RMB17,816,000).

(d) Fujian Province Houde Enterprise Management Company Limited ("Houde Enterprise") acquired from 福建建弘投資有限公司 ("Jianhong Investment") the entire paid-up capital of Hengde (Shishi) Investment Company Limited ("Hengde (Shishi)") at a consideration of RMB10,000,000 in cash and the transaction was completed on 9 October 2014. Upon completion of acquisition, Hengde (Shishi) became a wholly-owned subsidiary of Houde Enterprise. The consideration is accounted for as a deemed distribution to Mr. Tsoi Kin Sze and Mr. Shie Tak Chung, who held 55% and 45% of the issued share capital of China General and each of them also held 50% beneficial interest in Jianhong Investment, and the dilution in Group's ownership interest in Yangzhou Dehui Real Estate Development Company Limited and its subsidiary amounting to RMB5,801,000 is charged to equity attributable to owners of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before tax	33,104	46,990
Adjustments for:		
Bank interest income	(4,017)	(2,093)
Depreciation of plant and equipment	110	223
Fair value change on investment properties	(751)	(13,210)
Finance costs	–	1,435
Impairment losses, net of reversal	–	2,471
Net unrealised foreign exchange losses	61	157
Operating cash flows before movements in working capital	28,507	35,973
(Increase) decrease in properties held-for-sale	(12,690)	141,436
(Increase) decrease in trade and other receivables	(32,900)	21,554
Increase in contract costs	(1,817)	–
Increase (decrease) in trade payables	13,174	(26,776)
Decrease in other payables and accruals	(23,391)	(7,127)
Increase in contract liabilities	203,543	–
Decrease in pre-sales proceeds received on sales of properties	–	(38,987)
Cash generated from operations	174,426	126,073
PRC income tax and PRC land appreciation tax paid	(55,011)	(15,080)
NET CASH FROM OPERATING ACTIVITIES	119,415	110,993
INVESTING ACTIVITIES		
Placement of time deposits	(30,000)	(70,000)
Withdrawal of time deposits	40,000	–
Purchase of plant and equipment	(19)	(446)
Placement of restricted bank deposits	(147,608)	(37,344)
Withdrawal in restricted bank deposits	50,115	45,816
Proceeds from sales of investment properties	15,533	6,611
Deposits received on sales of investment properties	535	260
Interest received	4,017	2,093
NET CASH USED IN INVESTING ACTIVITIES	(67,427)	(53,010)

	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES		
Advance from a related party	2,283	–
Repayment of bank borrowings	–	(99,900)
Interest paid	–	(5,717)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	2,283	(105,617)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,271	(47,634)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	80,851	128,485
CASH AND CASH EQUIVALENTS AT END OF YEAR		
represented by bank balances and cash	135,122	80,851

1. GENERAL

Jiande International Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange. Fame Build Holdings Limited and Talent Connect Investments Limited, companies incorporated in the British Virgin Islands with limited liabilities which are wholly owned by Mr. Shie Tak Chung ("Mr. Shie") and Mr. Tsoi Kin Sze ("Mr. Tsoi"), respectively were collectively the immediate and ultimate holding companies of the Company pursuant to a deed of confirmation dated 23 October 2014 executed by Mr. Shie and Mr. Tsoi whereby they confirmed the existence of their acting in concert arrangement, which resulted in Mr. Shie, Mr Tsoi, Fame Build Holdings Limited and Talent Connect Investments Limited collectively becoming the controlling shareholders of the Company. The addresses of the registered office and principal place of business of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and Room 1910, Fortress Tower, 250 King's Road, Hong Kong, respectively. The principal activities of the Company is investment holding and its subsidiaries (collectively referred as the "Group") are principally engaged in property development in the PRC.

The consolidated financial statements are presented in RMB, which is same as functional currency of the Company.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from sale of properties. The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

Information about the Group's the performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

	RMB'000
Accumulated losses	
Recognition of contract costs regarding commission expenses to intermediaries/employees	895
Tax effects	(224)
Impact at 1 January 2018	671

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 *HKFRS 15 Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	Carrying amounts under HKFRS 15 at 1 January 2018* RMB'000
CURRENT ASSETS					
Properties held for sale	(c)	675,952	–	1,401	677,353
Contract costs	(a)	–	–	895	895
CURRENT LIABILITIES					
Pre-sales proceeds received on sales of properties	(b)	242,733	(242,733)	–	–
Contract liabilities	(b),(c)	–	242,733	1,401	244,134
NON-CURRENT LIABILITIES					
Deferred tax liabilities	(a)	22,358	–	224	22,582
CAPITAL AND RESERVES					
Reserves	(a)	592,868	–	671	593,539

* The amounts in this column are before the adjustments from the application of HKFRS 9.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 *HKFRS 15 Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Notes:

(a) Prior application of HKFRS 15, the Group recognised incremental commission expenses to intermediaries/employees in connection with obtaining sales of properties contracts with customers. These amounts were expensed as incurred. At the date of initial application of HKFRS 15, incremental costs of obtaining contracts of RMB895,000 and the related deferred tax liabilities of RMB224,000 were recognised with corresponding adjustments to accumulated losses upon application of HKFRS 15.

(b) As at 1 January 2018, pre-sales proceeds received on sales of properties of RMB242,733,000 were reclassified to contract liabilities upon application of HKFRS 15.

(c) Certain property sales contracts of the Group contain significant financing component after taking into account the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transferring the property to the customers and the customers paying for the property and the prevailing interest rates in the relevant market. The Group recognised the interest expense only to the extent that a contract liability (pre-sales proceeds received on sales of properties) is recognised in accounting for the contract with the customer and adjusted the promised amount of consideration by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. At the date of initial application, finance costs eligible for capitalisation amounting to RMB1,401,000 have been adjusted to the properties held for sale, with corresponding adjustment credited to contract liabilities upon application of HKFRS 15.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 *HKFRS 15 Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018, its consolidated statement of profit or loss and other comprehensive income and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Notes	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
CURRENT ASSETS				
Properties held for sale	(b)	690,043	(9,913)	680,130
Contract costs	(a)	2,712	(2,712)	–
CURRENT LIABILITIES				
Contract liabilities	(b)	447,677	(9,913)	437,764
NON-CURRENT LIABILITIES				
Deferred tax liabilities	(a)	19,400	(678)	18,722
CAPITAL AND RESERVES				
Reserves	(a)	603,486	(2,034)	601,452

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 *HKFRS 15 Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the consolidated statement of profit or loss and other comprehensive income

	Notes	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Revenue	(b)	159,959	(4,340)	155,619
Cost of sales	(b)	(111,795)	4,340	(107,455)
Selling expenses	(a)	(4,720)	(1,817)	(6,537)
Profit before tax	(a)	33,104	(1,817)	31,287
Income tax expense	(a)	(21,873)	454	(21,419)
Profit and total comprehensive income for the year	(a)	11,231	(1,363)	9,868

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 *HKFRS 15 Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the consolidated statement of cash flows

	Notes	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Profit before tax	(a)	33,104	(1,817)	31,287
Operating cash flows before movements in working capital	(a)	28,507	(1,817)	26,690
Increase in contract costs	(a)	(1,817)	1,817	–
Increase in contract liabilities	(c)	203,543	(203,543)	–
Increase in pre-sales proceeds received on sales of properties	(c)	–	203,543	203,543

Notes:

(a) Prior application of HKFRS 15, the Group recognised incremental commission expenses to intermediaries/employees in connection with obtaining sales of properties contracts with customers. These amounts were previously expensed as incurred. As at 31 December 2018, incremental costs of obtaining contracts of RMB2,712,000 and the related deferred tax liabilities of RMB678,000 were recognised in the consolidated statement of financial position, selling expenses of RMB1,817,000 were credited and income tax expense of RMB454,000 were recognised in the consolidated statement of profit or loss and other comprehensive income with corresponding cash flows impact recognised to the consolidated statement of cash flows upon application of HKFRS 15.

(b) Certain property sales contracts of the Group contain significant financing component after taking into account the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transferring the property to the customers and the customers paying for the property and the prevailing interest rates in the relevant market. The Group recognised the interest expense only to the extent that a contract liability (pre-sales proceeds received on sales of properties) is recognised in accounting for the contract with the customer and adjusted the promised amount of consideration by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. As at 31 December 2018, finance costs eligible for capitalisation amounting to RMB9,913,000 have been adjusted to the properties held for sale and credited to contract liabilities in the consolidated statement of financial position, while the revenue of RMB4,340,000 were credited with corresponding adjustment recognised to cost of sales in the consolidated statement of profit or loss and other comprehensive income upon application of HKFRS 15.

(c) Upon application of HKFRS 15, the cash flows impact of the pre-sales proceeds received on sales of investment properties were reclassified to contract liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and other items (i.e financial guarantee contracts) and (3) general hedge accounting.

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9

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

	Note	Trade and other receivables RMB'000	Deferred tax assets RMB'000	Accumulated losses RMB'000
Closing balance at 31 December 2017 — HKAS 39		39,369	5,660	377,048
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model	(a)	(1,343)	–	1,343
Tax effects	(a)	–	336	(336)
Opening balance at 1 January 2018		38,026	5,996	378,055

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 *HKFRS 9 Financial Instruments* (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Note:

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually with outstanding balance of RMB30,000, the remaining balances are grouped based on internal credit rating.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, restricted bank deposits, time deposits and bank balances, are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantees provided to banks for mortgage facilities granted to the purchasers of the Group's properties amounting to RMB547,639,000 at 1 January 2018, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12m ECL basis.

As at 1 January 2018, the additional credit loss allowance of RMB1,343,000 and the related deferred tax assets of RMB336,000 have been recognised against accumulated losses for other receivables. Except for the other receivables, the directors of the Company reviewed and assessed the impairment of trade receivables, restricted bank deposits, time deposits, bank balances and financial guarantee contracts under ECL model, and no additional loss allowance is recognised against accumulated losses.

2.3 *Amendments to HKAS 40 Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.4 *Impacts on opening consolidated statement of financial position arising from the application of all new standards*

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 RMB'000 (audited)	Impact on adoption of HKFRS 15 RMB'000	Impact on adoption of HKFRS 9 RMB'000	1 January 2018 RMB'000 (restated)
NON-CURRENT ASSETS				
Deferred tax assets	5,660	–	336	5,996
CURRENT ASSETS				
Properties held for sale	675,952	1,401	–	677,353
Trade and other receivables	39,369	–	(1,343)	38,026
Contract costs	–	895	–	895
CURRENT LIABILITIES				
Pre-sale proceeds received on sales of properties	242,733	(242,733)	–	–
Contract liabilities	–	244,134	–	244,134
NON-CURRENT LIABILITIES				
Deferred tax liabilities	22,358	224	–	22,582
CAPITAL AND RESERVES				
Reserves	592,868	671	(1,007)	592,532

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 *Leases* (Continued)

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has no non-cancellable operating lease commitments as disclosed in note 32.

In addition, the Group currently considers refundable rental deposits paid of RMB6,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "*Determining whether an Arrangement contains a Lease*" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange and by the Hong Kong Companies Ordinance ("Companies Ordinance").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that an initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. The management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except or financial assets within the scope of HKFRS 9/HKAS 39 and investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

For sale of properties, revenue is recognised at a point in time when control of completed property is transferred to the customer and the Group has present right to payment and the collection of the consideration is probable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

A contract asset represents the Group's right to consideration in exchange for goods that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commission) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position as "Pre-sales proceeds received on sales of properties" under current liabilities.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets and contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

Completed properties and properties under development

Completed properties and properties under development which are intended to be sold in the ordinary course of business upon completion of development are stated at the lower of cost and net realisable value on an individual basis. Costs comprise the acquisition costs, borrowing costs, capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties and allocated to each unit in each phase based on sellable floor area, using weighted average method. Net realisable value represents the estimated selling price for properties held for sale less all estimated costs of completion and the costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset and financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

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

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, restricted bank deposits, time deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the risk type by considering:

- Nature of financial instruments (i.e. the Group's trade receivables and other receivables are each assessed as a separate group);
- Past-due status; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets

The Group's financial assets are loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank deposits, time deposits and bank balances and cash) are measured at amortised cost using effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables (before application of HKFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables (before application of HKFRS 9 on 1 January 2018) (continued)

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and amount due to a related party are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts liabilities are measured initially at their fair values. They are subsequently measured at the higher of:

(i) the amount of loss allowance in accordance with HKFRS 9 (since 1 January 2018)/HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of HKFRS 9 on 1 January 2018); and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future periods if the revision affects both current and future years.

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

Estimation of fair value of investment properties, including those investment properties shown as assets classified held for sale

The valuations of investment properties, including those investment properties shown as assets classified as held for sale, were determined based on the investment approach or direct comparison approach. The valuation of civil defense car parking spaces and kindergarten property was determined based on investment approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests. It was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. The valuation of non-civil defense car parking spaces was determined based on direct comparison approach by referencing to recent market transaction prices of similar properties in the similar locations with adjustments of other individual factors. Note 18 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

The carrying amount of investment properties, including those investment properties shown as assets classified as held for sale, at 31 December 2018, was RMB110,101,000 (2017: RMB113,601,000). Notwithstanding that the management employs independent professional qualified valuers to perform fair value assessments based on these assumptions, the fair values of these investment properties may be higher or lower depending on the future market conditions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated net realisable value on properties held for sale

In determining whether allowances should be made to the Group's properties held for sale, the Group takes into consideration the current market conditions to estimate the net realisable value (i.e. the estimated selling price less estimated costs to complete and estimated costs necessary to make the sales by reference to the similar properties in similar locations). An allowance is made if the estimated net realisable value is less than the carrying amount. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties held for sale in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2018, the carrying amount of the properties held for sale was approximately RMB690,043,000 (2017: RMB675,952,000).

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant estimates is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates and the amount of the land appreciation was determined by subtracting the related deductible amounts, including the property development expenditures which require accounting estimation of the total budget of the property development project, from the sales revenue. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the years in which such tax is finalised with local tax authorities. As at 31 December 2018, the carrying amount of the land appreciation tax payable was RMB657,000 (2017: RMB6,496,000).

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the property development and revenue represents the net amounts received and receivable for properties sold by the Group in the normal course of business to customers.

(i) Disaggregation of revenue from contracts with customers

	2018 RMB'000	2017 RMB'000
Sales of properties		
Residential units in the Binjiang International Project*	15,643	10,454
Residential units in The Cullinan Bay Project**	144,316	345,415
	159,959	355,869

* The project represents completed properties located in Quanzhou, Fujian province.

** The project represents properties under development and completed properties located in Yangzhou City, Jiangsu province.

(ii) Performance obligations for contracts with customers

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

The Group averagely receives 35% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

The Group considers the advance payment schemes contains significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

5. REVENUE AND SEGMENT INFORMATION (Continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Sales of properties RMB'000
Within one year	333,143
More than one year but not more than two years	165,148
	498,291

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is on a project by project basis. Each property development project constitutes an operating segment and the Group currently operated two property development projects called the Binjiang International Project and The Cullinan Bay Project. Over 90% (2017: 97%) of revenue for the year ended 31 December 2018 is derived from The Cullinan Bay Project. The management of the Group assesses the performance of the reportable segment based on the revenue for the year of the Group as presented in the consolidated statement of profit or loss and other comprehensive income. The accounting policies of the operating segment are the same as the Group's accounting policies described in note 3.

As all the property development projects have similar economic characteristics and are similar in the nature of property development and business processes, the type or class of customers and the methods used to distribute the properties, thus all property development projects were aggregated as one reportable segment. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Entity-wide disclosures

Revenue from major products

Revenue during the years ended 31 December 2018 and 2017 represents sales of residential properties in property development projects as mentioned above in the PRC.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from the PRC based on the location of property development projects and all of the Group's non-current assets are located in the PRC by physical location of assets.

Information about major customers

There is no single customer or a group of customers under common control which contributed over 10% of the Group's revenue for the years ended 31 December 2018 and 2017.

6. OTHER INCOME

	2018 **RMB'000**	2017 RMB'000
Rental income from investment properties	**662**	644
Bank interest income	**4,017**	2,093
Others	**183**	520
	4,862	3,257

7. OTHER LOSSES

	2018 **RMB'000**	2017 RMB'000
Net foreign exchange losses	**44**	498

8. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 RMB'000	2017 RMB'000
Impairment losses recognised on:		
— other receivables	–	2,471
	–	2,471

9. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on secured bank borrowings	–	5,717
Less: amounts capitalised in the cost of qualifying assets	–	(4,282)
	–	1,435

Borrowing costs capitalised on properties under development in respect of secured bank borrowings obtained are calculated by applying a capitalisation rate of 4.3% per annum to expenditure on qualifying asset specifically for financing the property development project for the year ended 31 December 2017.

10. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	15,933	12,468
PRC Land Appreciation Tax ("LAT")	1,361	5,465
	17,294	17,933
(Over)under provision in prior years:		
EIT	(16,673)	–
LAT	29,750	–
	13,077	–
Deferred tax (note 28)	(8,498)	6,885
	21,873	24,818

10. INCOME TAX EXPENSE (Continued)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Current tax provision represents provision for the PRC EIT and the PRC LAT. Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% for both years.

In addition, under the Provisional Regulations of LAT (《中華人民共和國土地增值税暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值税暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

On 28 December 2006, the State Administration of Taxation of the PRC (the "SAT") issued the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值税清算管理有關問題的通知》), which took effect on 1 February 2007. Such notice provides further clarification regarding the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local conditions. On 12 May 2009, the SAT issued the Regulations of Land Appreciation Tax Settlement Administration (《土地增值税清算管理規程》), effective on 1 June 2009, which further clarifies the specific conditions and procedures for the settlement of LAT.

10. INCOME TAX EXPENSE (Continued)

During the year ended 31 December 2018, the Group completed the settlement of LAT and EIT of the Group's Binjiang International Project in Quanzhou, Fujian province, the PRC with the relevant tax authority. The Group agreed with the relevant tax authority to assess the LAT on deemed basis (核定徵收), instead of on an actual basis (查賬徵收), to determine the LAT on the Binjiang International Project. As agreed with the relevant tax authority, LAT of the Binjiang International Project is determined based on 5% to 6% (depending on the nature of the properties) of properties sales revenue. The Group previously estimated the LAT provision of the Binjiang International Project by applying the actual basis. As a result of the change in the LAT determination methodology, the Group recorded an under provision of LAT in prior year during the year ended 31 December 2018 amounting to RMB29,750,000. In addition to the increase in LAT expenses in the Binjiang International Project, the Group resulted an over provision of EIT of RMB16,673,000 in respect of the Binjiang International Project during the year ended 31 December 2018.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 RMB'000	2017 RMB'000
Profit before tax	33,104	46,990
Tax at the PRC EIT of 25% (2017: 25%) (Note)	8,276	11,748
Tax effect of expenses not deductible for tax purpose	3,142	2,691
Tax effect of income not taxable for tax purpose	(230)	(175)
The PRC LAT	1,361	5,465
Tax effect of the PRC LAT	(340)	(1,366)
Tax effect of tax losses not recognised	17	121
Tax effect in respect of investment properties	(3,430)	6,334
Over provision of PRC EIT in respect of prior year	(16,673)	–
Under provision of PRC LAT in respect of prior year	29,750	–
Income tax expense for the year	21,873	24,818

Note: The tax rate represents the statutory tax rate of the jurisdiction where the operations of the Group are substantially based.

11. PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,224	1,197
Depreciation of plant and equipment	110	223
Rental expense in respect of rented premise under operating lease	118	114
Gross rental income from investment properties	(662)	(644)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	83	96
	(579)	(548)
Cost of properties held for sale recognised as an expense	111,087	286,823
Directors' emoluments (note 12)	2,528	2,609
Other staff costs		
— salaries and allowances	3,907	4,233
— retirement benefits scheme contributions	728	733
Total staff costs	7,163	7,575

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2018

	Mr. Shie Tak Chung RMB'000	Chief executive Mr. Tsoi Kin Sze RMB'000	Mr. Wu Zhisong RMB'000	Mr. Lee Lit Mo Johnny RMB'000	Total RMB'000
Executive directors					
Fees	–	–	–	–	–
Other emoluments:					
Salaries and allowances	506	506	506	506	2,024
Retirement benefits scheme contributions	16	16	–	16	48
Sub-total	522	522	506	522	2,072

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Mr. Ma Sai Yam RMB'000	Mr. Zhang Senquan RMB'000	Mr. Yang Quan RMB'000	Total RMB'000
Independent non-executive directors				
Fees	152	152	152	456
Other emoluments	–	–	–	–
Sub-total	152	152	152	456
Total				2,528

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

For the year ended 31 December 2017

	Mr. Shie Tak Chung RMB'000	Chief executive Mr. Tsoi Kin Sze RMB'000	Mr. Wu Zhisong RMB'000	Mr. Lee Lit Mo Johnny RMB'000	Total RMB'000
Executive directors					
Fees	–	–	–	–	–
Other emoluments:					
Salaries and allowances	521	521	521	521	2,084
Retirement benefits scheme contributions	19	19	–	19	57
Sub-total	540	540	521	540	2,141

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Mr. Ma Sai Yam RMB'000	Mr. Zhang Senquan RMB'000	Mr. Yang Quan RMB'000	Total RMB'000
Independent non-executive directors				
Fees	156	156	156	468
Other emoluments	–	–	–	–
Sub-total	156	156	156	468
Total				2,609

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

No emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four (2017: four) directors, details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining one (2017: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and allowances	**684**	625
Retirement benefits scheme contributions	**16**	16
	700	641

The remunerations of each of the five highest paid individuals during the years ended 31 December 2018 and 2017 are within HK$1,000,000.

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the five highest paid individual of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS PER SHARE

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

	2018 RMB'000	2017 RMB'000
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	10,954	21,695
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,837,990	5,837,990

The weighted average number of shares used for the purpose of calculating basic earnings per share for both years are determined by reference to the number of ordinary shares outstanding during the year.

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

16. RETIREMENT BENEFITS PLANS

The Group participates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Company contributes 5% of relevant payroll costs to the scheme with a cap of HK$1,500 per employee per month, which contribution is matched by employees.

In addition, the employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of RMB776,000 (2017: RMB790,000) represents the contributions payable to these plans by the Group for the year ended 31 December 2018.

17. PLANT AND EQUIPMENT

	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST			
At 1 January 2017	1,873	2,869	4,742
Additions	44	402	446
At 31 December 2017	1,917	3,271	5,188
Additions	14	5	19
Disposals	–	(135)	(135)
At 31 December 2018	1,931	3,141	5,072
DEPRECIATION			
At 1 January 2017	1,666	2,797	4,463
Provided for the year	127	96	223
At 31 December 2017	1,793	2,893	4,686
Provided for the year	53	57	110
Eliminated on disposals	–	(135)	(135)
At 31 December 2018	**1,846**	**2,815**	**4,661**
CARRYING VALUES			
At 31 December 2018	**85**	**326**	**411**
At 31 December 2017	124	378	502

The above items of plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Furniture and equipment	3 to 5 years
Motor vehicles	4 to 5 years

18. INVESTMENT PROPERTIES

	Completed investment properties RMB'000
FAIR VALUE	
At 1 January 2017	104,985
Net fair value change recognised in profit or loss	13,210
Disposal	(4,594)
Reclassified as held for sale (note 23)	(774)
At 31 December 2017	112,827
Net fair value change recognised in profit or loss	751
Disposal	(3,477)
Reclassified as held for sale (note 23)	(521)
At 31 December 2018	**109,580**

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2018 and 2017 has been arrived on the basis of a valuation carried out on respective dates by Messrs. Cushman & Wakefield Limited ("C&W"), independent qualified professional valuers not connected to the Group.

In determining the fair values of the investment properties, the Group engages third party qualified external valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model and explain the cause of fluctuations in the fair values of the investment properties to the board of directors.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

18. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties	Valuation technique	Significant unobservable input(s)	Sensitivity
Civil defense car parking spaces located in Huian, Fujian Province, the PRC	Investment approach	Term yield: 4% (2017: 4%) Reversionary yield: 4.5% (2017: 4.5%)	A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the difference in location, and individual factors, i.e. accessibility, between the comparable and the properties, ranging from RMB310 to RMB536 (2017: RMB311 to RMB549) per civil defense car parking space per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Car parking spaces located in Huian, Fujian Province, the PRC (Note)	Direct comparison approach	Recent market transaction prices per car parking space of comparable properties ranging from RMB126,000 to RMB141,000 (2017: RMB122,000 to RMB140,000) by taking into account the difference in location, and individual factors, i.e. accessibility.	A significant increase in the market transaction prices used would result in a significant increase in fair value, and vice versa.
A kindergarten property located in Huian, Fujian Province, the PRC	Investment approach	Term yield: 4% (2017: 4%) Reversionary yield: 4.5% (2017: 4.5%)	A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the difference in location, and individual factors, i.e. size, accessibility and environment, between the comparable and the property, at an average of RMB19 (2017: RMB19) per square meter per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

Note: As at 31 December 2017, the Group was able to obtain title certificates of the car parking spaces from the PRC government authority and those car park spaces with title certificates could be sold or transferred to other parties according to the relevant laws and regulations in the PRC. In the opinion of the directors, direct comparison approach reflects the highest and best use value of car parking spaces in accordance to HKFRS 13 *Fair Value Measurement*.

18. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3 and fair value	
	2018	2017
	RMB'000	RMB'000
Civil defense car parking spaces	**27,785**	29,538
Car parking spaces	**69,095**	70,489
A kindergarten property	**12,700**	12,800
	109,580	112,827

There were no transfers into or out of level 3 during both year.

19. PROPERTIES HELD FOR SALE

Properties held for sale in the consolidated statement of financial position comprise:

	2018	2017
	RMB'000	RMB'000
Properties held for sale		
Properties under development	**399,621**	369,937
Completed properties	**290,422**	306,015
	690,043	675,952

All of the properties under development and completed properties are located in Fujian Province and Jiangsu Province of the PRC. All the properties held for sale are stated at lower of cost and net realisable value on an individual property basis.

At 31 December 2018, property under development of RMB184,628,000 (2017:RMB217,781,000) are not expected to be realised within one year.

20. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables		
— Sales of properties	517	97
Less: allowance for credit losses	(30)	(30)
	487	67
Other receivables (note a)	7,680	6,369
Less: allowance of credit losses	(3,836)	(2,493)
	3,844	3,876
Receivables from disposal of investment properties	1,241	12,783
Prepaid taxes other than income tax and land appreciation tax	20,235	8,537
Advance to suppliers (note b)	30,180	11,037
Other deposits and prepayments	3,376	3,069
	58,876	39,302
	59,363	39,369

Note a: The amount mainly represents the public maintenance fund received on behalf of the Ministry of Housing and Urban-Rural Development of the PRC from the property buyers as maintenance fund for the public facilities within the residential properties. Such fund would be returned to Ministry of Housing and Urban-Rural Development upon request.

Note b: The amount represents the advance payment to the contractors in order to secure construction services in projects. The advance is expected to be fully utilised in the construction projects within a year from the end of the reporting period.

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB487,000 and RMB67,000, respectively.

20. TRADE AND OTHER RECEIVABLES (Continued)

The Group generally grants no credit period to property buyers and only allows certain customers to settle their balances by instalments. The following is an aged analysis of trade receivables presented based on the date when the revenue from sales of the respective properties were recognised:

	2018 RMB'000	2017 RMB'000
181–365 days	487	17
Over 365 days	–	50
	487	67

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB487,000 which are past due as at the reporting date. Out of the past due balances, RMB487,000 has been past due 90 days or more and is not considered as in default by considering the historical payment arrangement of these trade receivables. The Group does not hold any collateral over these balances.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB67,000 which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances and no interest is charged on overdue trade receivables.

Ageing of trade receivables which are past due but not impaired

	2017 RMB'000
181–365 days	17
Over 365 days	50
	67

Trade receivables that were past due but not provided for impairment loss are related to a number of independent customers and the title certificates of the relevant properties would not be passed to customers until the full settlement of the outstanding balances. Based on past experience, the management of the Group considers that the ECL in respect of these remaining balances is insignificant as there has not been a significant change in credit quality of the trade receivables from the date credit was initially granted up to the date of the reporting period and the remaining balances are still considered fully recoverable. No movement in the allowance on doubtful debts of trade receivables during the year ended 31 December 2017.

20. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts of other receivables

	2017 RMB'000
At 1 January	22
Impairment losses recognised	2,471
At 31 December	2,493

As at 31 December 2017, included in the allowance of credit losses are collectively impaired other receivables with an aggregate balance of RMB2,493,000 which have been overdue over 365 days.

Details of impairment assessment of trade receivables and other receivables for the year ended 31 December 2018 are set out in note 35.

21. CONTRACT COSTS

	2018 **RMB'000**
Incremental costs to obtain contracts (Note a)	**2,712**

Note:

(a) Contract costs capitalised as at 31 December 2018 relate to the incremental commissions expenses to intermediaries/employees in connection with obtaining sales of properties contracts with customers which are still under construction or not yet delivered at the reporting date.

Contract costs are recognised as part of selling expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB895,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

The Group applies the practical expedient and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

22. TIME DEPOSITS, BANK BALANCES AND CASH AND RESTRICTED BANK DEPOSITS

The market interest rates per annum of time deposits, bank balances and restricted bank deposits at 31 December 2018 and 2017 as follow:

	2018	2017
Time deposits with original maturity more than one year	3.00%	3.00%
Bank balances	0.00% to 1.00%	0.00% to 0.30%
Restricted bank deposits (Note)	1.00%	0.00%

Note: Restricted bank deposits represented designated bank accounts solely for collecting pre-sales proceeds and settlement of construction costs of properties and will be released upon the completion of the development of properties.

Details of impairment assessment of time deposits, bank balances and restricted bank deposits for the year ended 31 December 2018 are set out in note 35.

23. ASSETS CLASSIFIED AS HELD FOR SALE AND PRE-SALES PROCEEDS RECEIVED ON SALES OF INVESTMENT PROPERTIES

The major classes of assets classified as held for sale as at 31 December 2018 and 2017 are as follow:

	2018 RMB'000	2017 RMB'000
Assets classified as held for sale:		
Investment properties	521	774

During the years ended 31 December 2018 and 2017, the Group entered into sale agreements with independent third parties to sell certain car parking spaces. As at 31 December 2018 and 2017, the Group received sale deposits regarding sales of investment properties to RMB535,000 and RMB260,000, respectively. The investment properties which were expected to be sold within twelve months were classified as held for sale and were presented separately in the consolidated statement of financial position. During the year ended 31 December 2018, the investment properties classified as held for sale as at 31 December 2017 have been derecognised.

The fair values of the investment properties classified as held for sale at 31 December 2018 and 2017 been arrived on the direct comparison method carried out by C&W on respective dates as disclosed in note 18.

24. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date:

	2018 RMB'000	2017 RMB'000
0–60 days	10,296	592
61–90 days	–	55
91–180 days	779	972
181 days–1 year	3,027	696
Over 1 year	2,376	989
	16,478	3,304

The credit period on construction payable is normally within 90 days from the invoice date.

25. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Accrued construction costs	65,384	89,784
Accrual staff costs and contributions to the retirement benefits scheme	6,354	5,604
Public maintenance fund received from customers (Note)	4,100	4,403
Other tax payables	6,797	5,254
Others payables and accrued expenses	1,758	2,699
	84,393	107,744

Note: The public maintenance fund is received on behalf of the Ministry of Housing and Urban-Rural Development of the PRC from the property buyers as maintenance fund for the public facilities within the residential properties. Such fund would be returned to Ministry of Housing and Urban-Rural Development upon request.

26. PRE-SALES PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sales proceeds received on sales of properties represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

As at 31 December 2017, pre-sales proceeds received on sales of properties of RMB44,884,000 is expected to be released to profit or loss after one year.

27. CONTRACT LIABILITIES

	As at 31 December 2018 RMB'000	As at 1 January 2018* RMB'000
Pre-sales proceeds received on sales of properties	447,677	244,134

* The amounts in this column are after adjustments from the application of HKFRS 15.

The following table shows how much of the revenue recognised in the current year relates to carried forward contract liabilities.

	Sales of properties RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	126,642

The Group averagely receives 35% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

In addition, the Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant group entities. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customers.

The directors of the Company considered that the balance of contract liabilities as at 31 December 2018 will be recognised as revenue to profit or loss as follows:

	2018 RMB'000
Within one year	301,481
After one year	146,196
	447,677

28. DEFERRED TAX ASSETS/LIABILITIES

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

	2018 **RMB'000**	2017 RMB'000
Deferred tax assets	**11,312**	5,660
Deferred tax liabilities	**(19,400)**	(22,358)
	(8,088)	(16,698)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2018 and 2017:

	Revaluation of investment properties RMB'000	**Deferred tax on LAT payments on sales of properties deductible under EIT** RMB'000	**ECL provision** RMB'000	**Deferred tax on presales on sales of properties/ contract liabilities** RMB'000	**Deferred tax on contract costs** RMB'000	**Total** RMB'000
At 1 January 2017	(18,632)	(1,746)	–	10,565	–	(9,813)
Charge to profit or loss (note 10)	(5,052)	(370)	–	(1,463)	–	(6,885)
At 31 December 2017	(23,684)	(2,116)	–	9,102	–	(16,698)
Adjustments (note 2)	–	–	336	–	(224)	112
At 1 January 2018 (restated)	(23,684)	(2,116)	336	9,102	(224)	(16,586)
Credit (charge) to profit or loss (note 10)	3,980	(2,657)	–	7,629	(454)	8,498
At 31 December 2018	**(19,704)**	**(4,773)**	**336**	**16,731**	**(678)**	**(8,088)**

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to dividend earned and payable to investors that are ''non-tax resident enterprises" in respect of profits earned by the PRC subsidiaries since 1 January 2008, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends paid by the PRC subsidiaries to offshore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. The Group is subject to withholding tax in relation to the dividend paid by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of accumulated profits of the PRC subsidiaries amounting to RMB153,193,000 (2017: RMB135,263,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. DEFERRED TAX ASSETS/LIABILITIES (Continued)

At 31 December 2018, the Group has unused tax losses of RMB550,000 (2017: RMB483,000) available for offsetting against future profits. No deferred tax asset has been recognised in relation to such unused tax losses due to the unpredictability of future profit streams. RMB67,000 and RMB483,000 (2017: RMB483,000) unrecognised tax losses will expire in 2023 and 2022 (2017: 2022), respectively.

29. AMOUNT DUE TO A RELATED PARTY

		2018 RMB'000	2017 RMB'000
Mr. Shie Tak Chung	Unsecured, non-interest bearing and repayable on demand	2,283	–

The amounts due to a related party represented advances from Mr. Shie Tak Chung, the director of the Company.

30. SHARE CAPITAL

Share capital of the Company

	Number of shares '000	Amount of share capital HK$'000	Amount of share capital RMB'000
Authorised ordinary shares:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018 at HK$0.005 each	100,000,000	500,000	435,951
Issued and fully paid ordinary shares:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018 at HK$0.005 each	5,837,990	29,190	25,451

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

31. CONTINGENT LIABILITIES

	2018 RMB'000	2017 RMB'000
Corporate guarantee given to banks in respect of mortgage facilities granted to property buyers	574,143	547,639

31. CONTINGENT LIABILITIES (Continued)

In accordance with market practice in the PRC, the Group provides guarantees for the property buyers' mortgage loans with the PRC banks to facilitate their purchases of the Group's properties. Guarantees for mortgages on properties begin simultaneously with the respective mortgage, and are generally discharged at the earlier of: (i) the property buyers obtains the individual property ownership certificate, and (ii) the full settlement of mortgage loans by the property buyers. The outstanding financial guarantee providing with guarantee period up to the full settlement of mortgage loans as at 31 December 2018 amounted to RMB574,143,000 (2017: RMB547,639,000). Pursuant to terms of the guarantees, for a given mortgage loan, if there is any default of the mortgage payments by a property buyer, the Group is responsible to repay to the bank outstanding balance of the mortgage loans as well as accrued interests and penalties owned by the defaulted property buyers. If the Group fails to do so, the mortgage banks will first deduct the bank balances existing in the banks owned by the property buyers. Any shortfall will be recovered through auction the underlying properties and recover the remaining balances from the Group if the outstanding loan amount exceeds the net foreclosure sale proceed. The Group does not conduct independent credit checks on their property buyers but rely on the credit checks conducted by the mortgage banks.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties is expected to cover the outstanding mortgage principals together with the accrued interest and penalties. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

32. OPERATING COMMITMENTS

The Group as lessee

	2018 **RMB'000**	2017 RMB'000
Minimum lease payments paid under operating leases during the year	**118**	114

At the end of each of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**–**	98

Operating lease payment represented rentals payable by the Group for certain office premises. Leases are negotiated and rentals are fixed for terms ranging from 1 to 3 years.

32. OPERATING COMMITMENTS (Continued)

The Group as lessor

Property rental income earned during the year was RMB662,000 (2017: RMB644,000). Certain investment properties held have committed tenants for the next 20 years.

At the end of each of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 RMB'000	2017 RMB'000
Within one year	291	291
In the second to fifth year inclusive	1,501	1,400
After five years	2,893	3,285
	4,685	4,976

33. OTHER COMMITMENTS

	2018 RMB'000	2017 RMB'000
Construction commitments in respect of properties under development contracted for but not provided in the consolidated financial statements	101,830	168,441

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the years.

The capital structure of the Group consists of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new shares, issue as well as the issue of new debts.

35. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost	336,535	–
Loans and receivables (including cash and cash equivalents)	–	205,925
Financial liabilities		
Amortised cost	22,861	7,707

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank deposits, time deposits, bank balances and cash, trade payables, other payables, amount due to a related party and financial guarantee contracts. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to restricted bank deposits, time deposits and bank balances. The cash flow interest rate risk is mainly concentrated on fluctuations associated with variable rate of restricted bank deposits, time deposits and bank balances. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis of restricted bank deposits, time deposits and bank balances is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risks (Continued)

(ii) Currency risk

The Group has certain other payables and bank balances and cash which are denominated in foreign currency of relevant group entity, hence they are exposed to foreign exchange risk. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each of the reporting period are as follows:

	Assets		Liabilities	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
HKD	**607**	3,185	**2,398**	1,240

The Group does not enter into any derivative contracts to minimise the currency risk exposure. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arises.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuations of HKD.

The following table details the Group's sensitivity to a reasonably possible change of 5% in HKD against RMB while all other variables are held constant. 5% is the sensitivity rate used which represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each of the reporting period for a 5% change in foreign currency rate.

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risks (Continued)

(ii) Currency risk (Continued)

Sensitivity analysis

An analysis of sensitivity to currency risk is as follows:

	2018 **RMB'000**	2017 RMB'000
(Decrease) increase in post-tax profit for the year		
— if RMB weakens against HKD	**(67)**	73
— if RMB strengthens against HKD	**67**	(73)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

At 31 December 2018, the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the financial guarantee provided by the Group as disclosed in note 31. The Group's credit risk is primarily attributable to its trade and other receivables, restricted bank deposits, time deposits and bank balances as stated in the consolidated statement of financial position at the end of each reporting period.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 99% (2017: 98%) of the total financial assets as at 31 December 2018.

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Restricted bank deposits/time deposits/bank balances

The credit risks on restricted bank deposits, time deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The management of the Group assumed that there is no material increase for the credit risk on deposits during the year. According, the loss allowance measured under 12m ECL and the amount of impairment is consider insignificant at an amount equal to 12m ECL and no loss allowance was recognised during the year.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group is responsible for determination of credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances based on individual basis and provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables

For the purpose of impairment assessment for other receivables, the loss allowance measured under 12m ECL were considered as insignificant as the balance does not consist of any overdue amount. For credit-impaired debtors on other receivables which assessed individually under ECL model, RMB3,836,000 loss allowance was recognised as at 31 December 2018 as the management of the Company considers debtors on other receivables has resulted in financial difficulty for settlement of the outstanding amount.

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Normal risk	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL — not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL – not credit-impaired
Credit impaired	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount
		RMB'000	RMB'000		
Financial assets at amortised cost					
Trade receivables	20	N/A	(Note 1)	Lifetime ECL (provision matrix)	487
			Credit-impaired	Lifetime ECL (credit-impaired)	30
					517
Other receivables	20	N/A	(Note 2)	12m ECL	5,085
				Lifetime ECL (credit-impaired)	3,836
					8,921
Time deposits	22	A – AAA	N/A	12m ECL	60,000
Restricted bank deposits	22	A – AAA	N/A	12m ECL	135,841
Bank balances	22	A – AAA	N/A	12m ECL	134,854
Other items					
Financial guarantee contracts (Note 3)	31	N/A	Low risk	12m ECL	574,143

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

1. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

2. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	**Not past due** RMB'000	**Total** RMB'000
Other receivables	3,836	5,085	8,921

3. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

Provision matrix internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its trade receivables. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit-impaired). Credit-impaired debtors with gross carrying amount of RMB30,000 as at 31 December 2018 were assessed individually.

Gross carrying amount

	Average loss rate	**Trade receivables** RMB'000
Internal credit rating		
Low risk	0.1%	487

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the Group did not provide any impairment allowance for trade receivables based on the provision matrix as the amount was insignificant. Impairment allowances of RMB30,000 were made on credit-impaired debtor as at 31 December 2018.

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Provision matrix internal credit rating (Continued)

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	Lifetime ECL (credit-impaired) RMB'000
As at 31 December 2017 under HKAS 39	2,493
Adjustment upon application of HKFRS 9	1,343
As at 1 January 2018 (as restated) and 31 December 2018	3,836

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB574,143,000 as at 31 December 2018. At the end of the reporting period, the directors of the Company have performed impairment assessment on ECL, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognised in the profit or loss because the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties is expected to cover the outstanding mortgage principals together with the accrued interest and penalties. Details of the financial guarantee contracts are set out in note 31.

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2018				
Trade payables	–	16,478	16,478	16,478
Other payables	–	5,858	5,858	5,858
Amount due to a related party	–	2,283	2,283	2,283
Corporate guarantee for mortgage facilities granted to property buyers	–	574,143	574,143	–
		598,762	598,762	24,619

35. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2017				
Trade payables	–	3,304	3,304	3,304
Other payables	–	7,102	7,102	7,102
Corporate guarantee for mortgage facilities granted to property buyers	–	547,639	547,639	–
		558,045	558,045	10,406

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values based on discounted cash flows analysis.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to a related party RMB'000	**Secured bank borrowings** RMB'000	**Total** RMB'000
At 1 January 2017	–	99,900	99,900
Repayment of bank borrowings	–	(99,900)	(99,900)
Interest accrued	–	5,717	5,717
Interest paid	–	(5,717)	(5,717)
At 31 December 2017	–	–	–
Advance from a related party	2,283	–	2,283
At 31 December 2018	**2,283**	**–**	**2,283**

37. RELATED PARTY DISCLOSURES

Apart from details disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant transaction with a related party during the year ended 31 December 2018:

Name of related party	Nature	2018 RMB'000	2017 RMB'000
德泰物業管理有限公司揚州分公司 Detai Property Management Company Limited (Yangzhou Branch)* ("Detai Property Management")	Property management services fee paid	**1,800**	900

* English name is for identification purpose only

Detai Property Management is beneficially owned by Mr. Shie Tak Chung and Mr. Tsoi Kin Sze, the directors of the Company.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 December 2018 and 2017 was as follows:

	2018 RMB'000	2017 RMB'000
Short-term benefits	**3,286**	3,971
Post-employment benefits	**181**	272
	3,467	4,243

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals of the Group and market trends.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ paid-up capital	Proportion ownership interest attributable to the Company				Proportion of voting power held by the Company				Principal activities
			Directly		Indirectly						
			2018	2017	2018	2017	2018	2017	2018	2017	
中總(香港)有限公司 China General	Hong Kong	Issued and fully paid share capit al HKD488,184,682	100%	100%	–	–	100%	100%	–	–	Investment holding
創聯國際控股有限公司 Creative Union Global Holdings Limited	British Virgin Islands	Issued and fully paid share capital United States dollar 100	100%	100%	–	–	100%	100%	–	–	Investment holding
駿麗國際投資有限公司 Nice Smart International Investment Limited	Hong Kong	Issued and fully paid share capital HKD1,000	–	–	100%	100%	–	–	100%	100%	Investment holding
惠安中總房地產開發有限公司 Hui An China General Real Estate Development Company Limited*	The PRC	Paid-up capital of RMB62,000,000	–	–	98.4%	98.4%	–	–	98.4%	98.4%	Property development
福建省厚德企業管理有限公司 Houde Enterprise	The PRC	Paid-up capital of RMB10,000,000	–	–	98.4%	98.4%	–	–	98.4%	98.4%	Investment holding
恒德(石獅)投資有限公司 Hengde (Shishi)	The PRC	Paid-up capital of RMB10,000,000	–	–	98.4%	98.4%	–	–	98.4%	98.4%	Investment holding
揚州德輝房地產開發有限公司 Yangzhou Dehui Real Estate Development Company Limited*	The PRC	Paid-up capital of RMB100,000,000	–	–	98.4%	98.4%	–	–	98.4%	98.4%	Property development
揚州德泰物業服務有限公司 Yangzhou Detai Property Services Company Limited*	The PRC	Paid-up capital of RMB1,000,000	–	–	98.4%	98.4%	–	–	98.4%	98.4%	Provision of building management services
富鴻國際集團有限公司 Rich Honour International Group Limited***	British Virgin Islands	Issued and fully paid share capital United States dollar 100	100%	–	–	–	100%	–	–	–	Investment holding
廈門昶勵貿易有限公司 Xiamen Changli Trading Co, Ltd**	The PRC	Paid-up capital of RMB1,000,000	–	–	100%	–	–	–	100%	–	Inactive
廈門駿熠置業有限公司 Xiamen Junyi Property Co., Ltd.**	The PRC	Paid-up capital of RMB10,000,000	–	–	100%	–	–	–	100%	–	Inactive

* English names are for identification purpose only.

** These subsidiaries were newly incorporated during the year ended 31 December 2018.

*** The subsidiary was newly acquired during the year ended 31 December 2018.

All the subsidiaries operate predominantly in their respective places of incorporation/establishment.

None of the subsidiaries had any debt securities subsisting at the end of the reporting periods or at any time during the reporting periods.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSET		
Investments in subsidiaries	**542,101**	542,101
CURRENT ASSETS		
Prepayments, deposits and other receivables	**28**	382
Amount due from a subsidiary	**93**	–
Bank and cash balances	**349**	504
	470	886
CURRENT LIABILITIES		
Other payables and accruals	**2,285**	1,408
Amounts due to subsidiaries	**11,009**	7,940
Amount due to a related party	**2,283**	–
	15,577	9,348
NET CURRENT LIABILITIES	**(15,107)**	(8,462)
NET ASSETS	**526,994**	533,639
CAPITAL AND RESERVES		
Share capital	**25,451**	25,451
Reserves	**501,543**	508,188
TOTAL EQUITY	**526,994**	533,639

Movement in the Company's reserves

	Other reserve RMB'000	**Share premium** RMB'000	**Reorganisation reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2017	524,285	193,733	37,819	(241,181)	514,656
Loss and total comprehensive expense for the year	–	–	–	(6,468)	(6,468)
At 31 December 2017	524,285	193,733	37,819	(247,649)	508,188
Loss and total comprehensive expense for the year	–	–	–	(6,645)	(6,645)
At 31 December 2018	**524,285**	**193,733**	**37,819**	**(254,294)**	**501,543**

The consolidated results of the Company for each of the four years ended 31 December 2015, 2016, 2017 and 2018 and its consolidated assets, liabilities and equity of the Company as at 31 December 2015, 2016, 2017 and 2018 are those set out in the consolidated financial statements included in this annual report and the Company's annual reports for the two years ended 31 December 2016 and 2017.

The consolidated results of the Company for the year ended 31 December 2014 and its consolidated assets, liabilities and equity as at 31 December 2014 are restated to be those of the China General (HK) Limited and its subsidiaries and have been extracted from the circular of the Company dated 29 February 2016 in connection with the restructuring of the Group and the resumption of trading of shares in the Company on the Stock Exchange.

The summary below does not form part of the audited financial statements included in this annual report.

RESULTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
				(restated)	(restated)
Revenue	**159,959**	355,869	158,125	103,196	256,532
Cost of sales	**(111,795)**	(294,767)	(112,251)	(48,379)	(186,705)
Gross profit	**48,164**	61,102	45,874	54,817	69,827
Other income	**4,862**	3,257	3,786	5,472	1,404
Other losses	**(44)**	(498)	(1,519)	(2,371)	(496)
Impairment losses, net of reversal	**–**	(2,471)	–	–	68
Fair value change of investment properties	**751**	13,210	9,307	2,000	4,400
Selling expenses	**(4,720)**	(8,433)	(7,075)	(5,824)	(9,252)
Administrative expenses	**(15,909)**	(17,742)	(12,138)	(9,692)	(10,313)
Finance costs	**–**	(1,435)	(326)	(207)	(1,977)
Deemed listing expense	**–**	–	(542,104)	–	–
Profit (loss) before tax	**33,104**	46,990	(504,195)	44,195	53,661
Income tax expense	**(21,873)**	(24,818)	(14,325)	(21,894)	(17,848)
Profit (loss) for the year	**11,231**	22,172	(518,520)	22,301	35,813
Attributable to:					
Owners of the Company	**10,954**	21,695	(518,956)	22,200	35,094
Non-controlling interests	**277**	477	436	101	719
	11,231	22,172	(518,520)	22,301	35,813

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
				(restated)	(restated)
Total assets	**1,226,242**	1,037,720	1,181,522	1,084,264	932,418
Total liabilities	**(587,254)**	(409,627)	(575,601)	(561,063)	(431,518)
	638,988	628,093	605,921	523,201	500,900
Equity attributable to owners of the Company	**628,937**	618,319	596,624	514,340	492,140
Non-controlling interests	**10,051**	9,774	9,297	8,861	8,760
	638,988	628,093	605,921	523,201	500,900

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