NEW TOWN

China New Town Development Company Limited
中國新城鎮發展有限公司

Stock Code: 1278

聚焦發展 穩中求進

推進新型城鎮化建設

2018 Annual Report

Corporate Profile

OVERVIEW

China New Town Development Company Limited (stock code: 1278) (the "Company" or "CNTD") has been listed by introduction on the main board of The Stock Exchange of Hong Kong Limited since 22 October 2010.

In March 2014, China Development Bank International Holdings Limited ("CDBIH"), a wholly-owned subsidiary of China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") completed its subscription for CNTD's 5,347,921,071 issued shares, and became CNTD's controlling shareholder. CDB Capital is a wholly-owned subsidiary of China Development Bank Corporation ("CDB"). CDB is one of the largest financial institutions focusing on development in China, and has been continuously supporting the urbanization construction in China since its establishment. Based on CDB's resources and brand advantage, CDB Capital has a national network layout in the business segment of new town development. Till then, the Company has officially become the sole listed platform of CDB and CDB Capital in the business segment of new urbanization. In the future, we shall leverage the advantage of the controlling shareholder's resources and experience, and integrate the opportunities arising from the new urbanization policy actively promoted in China, to build a national leading brand as a comprehensive new-town-developing operator.

We are a pioneer in China's new-type of urbanization. We have established industry leadership through over ten years of solid track record since 2002, and are among the very first players to engage in primary land development. With the trend of new urbanization in China and the Company's advantage in resources, we are gradually reforming, exploring and planning the blueprint of urbanization, while shaping development concepts and specifying business strategies. Going on with the basis to follow the guidelines of national policy and with the demand of regional economic development and city life, we shall focus on creating new-type cities and towns featuring "city- industry integration", improve the quality and experience of people lives. With the business strategy of "investment+ downstream operation", on top of fixed income investment in urbanization projects, we introduce excellent brand of urbanization to the region at the same time, such as education, tourism, healthcare and etc. We aim to focus on the downstream development and operation, to build long-term industry competence and value, and to build a sustainable level of profitability over the long run.

Currently, in the urbanization development and investment business segment, our projects locate in areas with good economic development, including Nanjing, Yangzhou, Nanchang, Qinhuangdao and Qingzhou and can provide stable revenue and cash flow for the Company. In the urbanization development and operation segment, the Company participates in developing such projects as Shanghai Luodian Project, Shenyang Lixiang Project, Beijing Junzhuang Project in Mentougou District, Nanjing Yuhua Two Bridge Shanty-town Renovation Project, property development project for Nanjing Tiexin Bridge in Yuhuatai District and Lenovo Wuhan Research and Development Base Project. Among them, Shanghai Luodian and Shenyang Lixiang are existing primary land development projects before the acquisition, and Lenovo Wuhan Research and Development Base Project is a project located in Optical Valley High-Tech Development Zone in Donghu District, Wuhan that the Company acquired from Lenovo Mobile Communication Software (Wuhan) Co., Ltd. in 2018. For projects involved development and operation after the acquisition, we usually develop such projects with our industry partners. We develop the project in Junzhuang with Vanke BJ to construct a comprehensive tourist, leisure and resort project in the surrounding Beijing.

Under the background of the national policy which supports new urbanization, we have confidence to realize the steady upgrade of the Company's scale of assets and operating results by fully integrating the resource advantages of controlling shareholder and the rich experience of project teams.

GOAL

Our Goal is to become the leading new town developer in China achieving long-term sustainable growth whilst we continue to strive for short to medium term profitability in order to deliver the greatest value to our shareholders.

MISSION

Our Mission is to provide urbanization products which are consistent with the demand of regional economic development and city life, to enhance the region's urbanization level and citizens' living quality.

Contents

Our Business

OUR BUSINESS

Introduction

We started to enter the new town development industry in 2002, so far have accumulated more than 16 years' experiences in the operation of development. In the previous project development, we accumulated a complete operational experience in the industry chain of new town development, including preliminary planning, land consolidation and supporting construction of infrastructure facilities, resources introduction to the region, which has improved the region's urbanization level.

Upon becoming a subsidiary of CDB Capital, we have made good use of these operating experience, together with the national resources advantage of the controlling shareholder, to actively make an optimization of project operation mode. We have established the business mode of "investment + downstream operation", rapidly expanded the business scale, and achieved a good scale effect and financial basis and brand advantages. Based on urbanization investment, we actively focus on the value-added service processes, such as design of regional planning, resource introduction, city operation and management, and etc., in the new urbanization business chain, taking the lead to engage in the investment of quality land resources with an model featuring steady and measurable fixed income return. Leveraging the opportunities for intensive cooperation with local governments as well as the strong background and networks of controlling shareholder, we promote various business opportunities such as industrial parks, tourism, education, asset management, and etc. At the same time, in accordance with the Company's development plans, we will optimize the investment and financing structure to cope with the various business development funding needs with the hope of bringing lucrative return to shareholders.

In the sector of urbanization investment, our business model is mainly fixed income investment. The Company has participated in various kinds of urbanization projects through equity or fund investment, such as the shanty-town renovation and improvement. In these investments, the Company shall receive a fixed investment gain based on the amount we have invested, according to the agreement. The investment gain shall be usually included into the governments' annual fiscal budget as a credit enhancement, so that the return on our investment is with high safety and predictability.

After CDB Capital's acquisition, leveraging its nationwide network and resources, the Company has rapidly expanded such fixed income portfolio with a pattern of "low-risk and high-return". As of the end of 2018, the Company has a portfolio of RMB3.25 billion in such investment, securing a total contractually guaranteed annual return before tax of approximately RMB340 million, which has contributed steady revenue and cash flow for the Company.

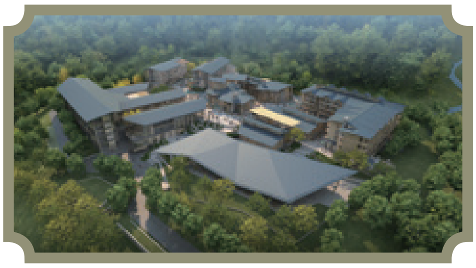
In the sector of downstream operation, we have chosen industrial park, education, tourism, and heath care as main downstream strategy, and fully leveraged the advantage of resources of controlling shareholder. In May, 2015, the Company has entered into strategic cooperation agreement with Hua Xin Investment Management Co, which is the sole GP of IC Fund. This is beneficial for the Company to expend the resources in industrial park. In October, 2016, the Company announced that it would cooperate with Beijing Vanke to develop the projects in Junzhuang, which is in Mentougou District in Beijing. By combining the worldwide partnership resources in the fields of healthcare, integrated tourism and international education established through the CDB Urbanization Strategic Alliance and the top-notch development and operation capability of Vanke in China, the Project is positioned to be developed into Beijing's integrated tourism and consumption destination showcase project. In June 2018, the Company completed the transaction of Lenovo Wuhan Research and Development Base Project at the High-Tech Development Zone in Donghu District, Wuhan, which is located in the well-known optoelectronics and semiconductor industry base in China, and is in line with the direction of Integrated Circuit Industrial Park to be developed by the Company.

Fully supported by the resource advantages of CDB and CDB capital, and on the basis of the steady and good return from the fix income investment, we shall intensively explore urban development investment opportunities along the downstream industry chain, combining with low-cost financing channels, integrate a wide range of resources and optimize investments and structures to promote sustained growth in the Company's assets and results.

Our Major Projects

Shanghai Luodian New Town Project (72.63% — owned)

- Total site area of 6.80 square kilometres ("sq. km.")
- Located at Baoshan District, connected to downtown Shanghai by metroline #7 (with two stops at Luodian), around 30 minutes ride to downtown Shanghai
- In 2009, it was named "China's Famous Town" in "China's Green Eco-cultural Demonstration Town". In 2016, it was listed as a comprehensive pilot of new urbanization.



Beijing Junzhuang Project in Mentougou District

- The Mentougou District is located in the western part of Beijing. The mountains in the district are connected to Xiangshan (香山), a renowned national tourism destination, comprising an integral part of the Western Beijing ecological conservation area. Located in the northeast of Mentougou and west part of Xiangshan Mountain, Junzhuang Town has formed the industrial pattern of"one town and four villages". Based on the unique geographical position of the project and combined with its spatial characteristics, it will be developed into a comprehensive industrial park with functions of cultural and technological innovation, ecological and health care, tourism and leisure, education and so on, and create an innovative town that combines cultural and technological innovation with green industry development.
- The Group and Beijing Vanke Enterprises Co. Ltd. has jointly established a project company (we are entitled to a 50% equity interest), which will be granted an exclusive right to develop and operate the Eastern Zone of the project. The project company will succeed in contracting the agricultural land (農用地) from the relevant village community economic cooperatives. In addition, using a model known as the "Village-Corporate Collaboration" with the co-ops, the project company shall also develop and operate the construction land collectively owned (集體建設用地) by the relevant village community economic cooperatives.

Our Major Projects

Property Development Project in Tiexin Bridge of Yuhuatai District, Nanjing

- Total site area of 23,475.91 square metres ("sq.m.")
- It is located in the Yuhuatai District of Nanjing, adjacent to the Software Valley. Software Valley is China's largest communication software industry R&D base and the first 100 billion level software industry base.
- This project is intended to build a complex of high-end office buildings, integrated commercial and boutique apartments, with a total planned area of 120,000 sq.m.. There will be at least 20,000 sq.m. of office buildings and 35,000 sq.m. for commercial purposes in the project for long-term holding and operation in the future.
- The Company has established a project company with Mingfa Group Nanjing Real Estate Development Co., Ltd. ("Mingfa Group") in which the Company holds an equity interest of 49%. It is the first large property project to be invested and developed in the region after the Two Bridge project in Yuhuatai District, Nanjing. Upon completion of the project, the Company will receive property sales and rental income, as well as commercial and office buildings as long-term investment in property assets.

Wuhan Optical Valley Project

- The total floor area of the project is 172,840 sq.m., of which 116,780 sq.m. are above-ground building area
- Wuhan Optical Valley High-tech Development Zone is a nationwide renowned optoelectronic and semi-conductor industry base, which is aligns with the strategic direction of the Company of developing integrated circuit industry property
- Leveraging the cooperation relationship of integrated circuit industry fund and the overall industry resources advantage from CDB to attract quality industry enterprises, including integrated circuit industry to move into the development zone, so as to build well-established office buildings in the industry park, and to enjoy long-term rental income and contribute to asset appreciation
- The development and construction of the project is completed, and it starts the leasing of the office and commercial properties.

Nanjing Reigate Bilingual School Project

- Total site area of 122,233.96 sq.m.
- Situated in Nanjing Chilin Technology Innovation Park, Jiangning District, Nanjing. Jiangning District is also the most populated and largest area of Nanjing. Chilin Technology Innovation Park (Eco-technology City) is a high-tech industry development zone in Jiangsu Province, which is a trial site of smart city of the PRC, and a demonstration site of technology services of Jiangsu Province. Currently, offices of new industries including intelligent manufacturing, big data, energy conservation and environmental protection, new materials have been set up in the Park. Some of the leading projects, including R&F Science Park, DCITS industry base, headquarter and network centre of Jiangsu Broadcasting Cable Information Network Corp. Ltd. and Sinopec Chilin Information Technology Service Base.
- Kaiyuan Education Investment Fund, which is initiated and established by China Development Bank Education Company Limited ("China Development Bank Education"), a wholly-owned subsidiary of the Company, has executed Strategic Co-operation Framework Agreement with Reigate Grammar School, and is intended to initiate a long-term cooperation on exclusive school operation in the Greater China Region. China Development Bank Education is also introducing the Reigate brand into Nanjing Chilin Bilingual School, and to provide bilingual education courses that cover to K12.

Shenyang Lixiang Project (100%-owned)

- Site area of 20.55 sq. km.
- Located at Dongling District, close proximity to Shenyang city centre and adjacent to Shenyang Taoxian International Airport
- In the Dahunnan area which is planned to be transformed into "New Centre, New Landmark, New Hub and New Energy" under the Government's strategic plan; host of the 2013 National Games

Our Strengths & Strategies

STRATEGIC POSITIONING

- CDB and CDB Capital's sole listed and operation platform in new urbanization.
- Integrate the network and resources of CDB Capital in the segment of new urbanization, and build a leading national and comprehensive urban development group covering financing, investment, development and operation.

BUSINESS STRATEGY

- Leverage the close relationship between CDB and CDB Capital and government and their huge customer resources, choose high-quality project across the country, improve the quality of the Company's assets and improve profitability.
- Maintain a steady growth in the portfolio of fixed return investment, and to achieve stable revenue and cash flow on top of good control of investment risk.
- On top of urbanization investment, select region and partners nationwide with caution, and develop and operate downstream projects. Provide high-quality township facilities to people in the region and enhance the region's business value.
- Achieve decent portfolio of "urbanization investment" and "downstream operation."

FINANCING STRATEGY

- Fully leverage the advantage of CDB and CDB Capital in the field of credit background, and build the Company's cross-market financing channel.
- Further improve the Group's financial strength by various innovative financing methods on projects.
- Benefiting from various operations of the listed platform in capital market, increase the Company's leverage, which will enhance return on equity.

CORE COMPETITIVENESS

- Continuously supplement and improve the Group's organization structure with CDBC's management expertise.
- Rapidly accumulate external resources such as new town development alliance and completion of joint projects.
- Standardize and systematically enhance project flows, accumulate relevant knowledge and experience.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Heqiang *(Chief Executive Officer)*
Ms. Yang Meiyu
Mr. Ren Xiaowei
Mr. Shi Janson Bing

Non-executive Directors
Mr. Zuo Kun *(Chairman)*
Mr. Li Yao Min *(Vice Chairman)*
Mr. Wei Dongzheng
Mr. Wang Jiangang

Independent Non-executive Directors
Mr. Henry Tan Song Kok
(Lead Independent Non-executive Director)
Mr. Kong Siu Chee
Mr. Zhang Hao
Mr. E Hock Yap

AUDIT COMMITTEE

Mr. Henry Tan Song Kok *(Chairman)*
Mr. Zhang Hao
Mr. E Hock Yap

NOMINATION COMMITTEE

Mr. E Hock Yap *(Chairman)*
Mr. Henry Tan Song Kok
Mr. Kong Siu Chee

REMUNERATION COMMITTEE

Mr. Kong Siu Chee *(Chairman)*
Mr. Henry Tan Song Kok
Mr. E Hock Yap

COMPANY SECRETARY

Mr. Kwok Siu Man, *FCIS, FCS*

BUSINESS ADDRESS

8203B-04A
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Telephone: (852) 3643 0200
Facsimile: (852) 3144 9663
Website: www.china-newtown.com

REGISTERED OFFICE

2/F, Palm Grove House
P.O. Box 3340
Road Town, Tortola
British Virgin Islands

BVI PRINCIPAL SHARE REGISTRAR

Tricor Services (BVI) Limited
P.O. Box 3340
Road Town, Tortola
British Virgin Islands

HONG KONG BRANCH SHARE REGISTRAR

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

LEGAL ADVISORS

Herbert Smith Freehills
Freshfields Bruckhaus Deringer
Winston & Strawn LLP
King & Wood Mallesons
Zhonglun W&D Law Firm
Zhong Lun Law Firm

INDEPENDENT AUDITOR

Ernst & Young
22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Auditor's Date of Appointment: 20 November 2007
Partner-in-charge: Mr. Kelvin Leung Shing Kit
since 21 September 2016

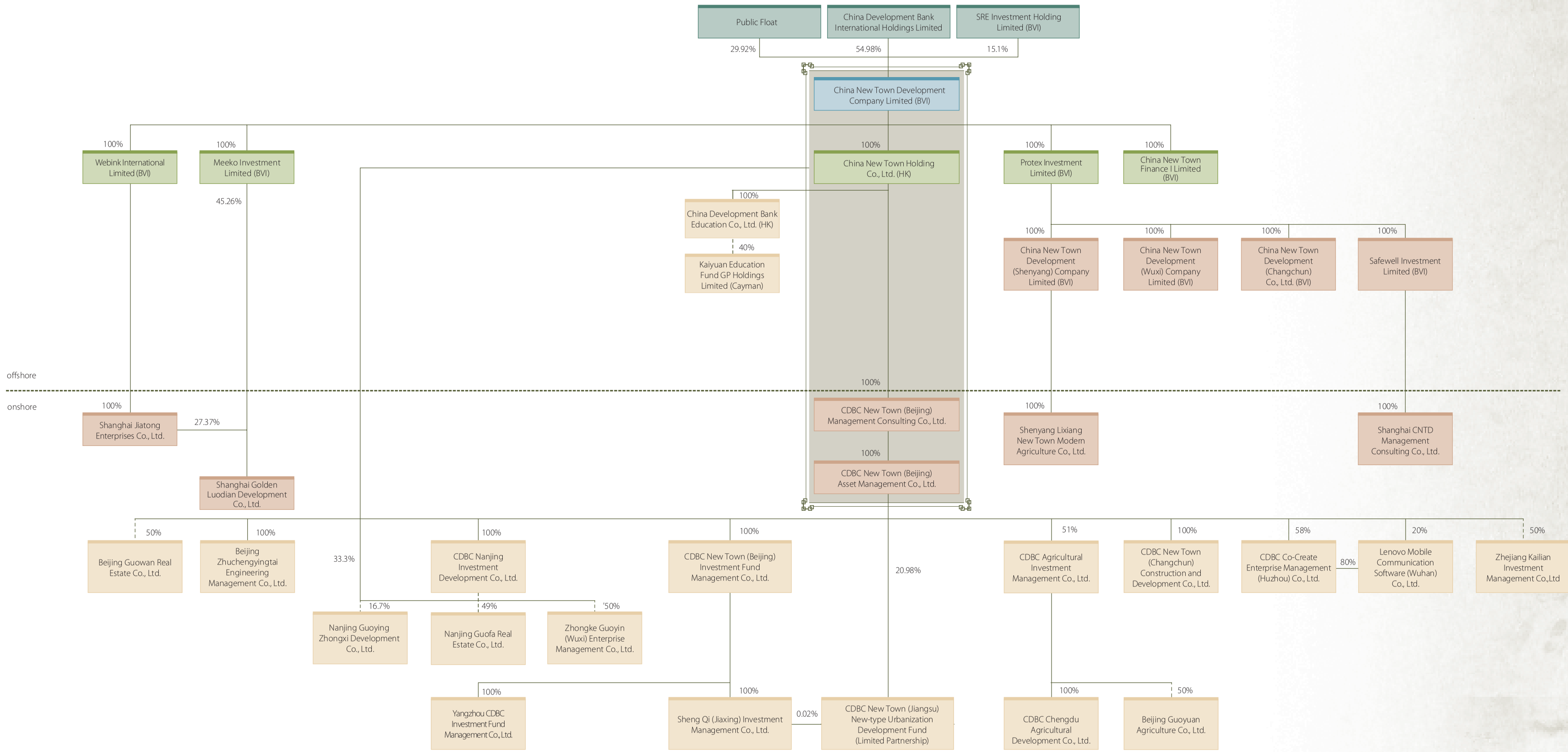
STOCK EXCHANGE LISTED

The Stock Exchange of Hong Kong Limited
Stock Name: ChinaNewTown
Stock Code: 1278
Board Lot: 2,500 shares

PRINCIPAL BANKERS

CITIC Bank International Limited
The Agricultural Bank of China
China Minsheng Bank
China Construction Bank (Asia)
Shanghai Pudong Development Bank
Bank of Communications Co., Ltd.

Group Structure



Note: CDBC Yangzhou Jiangguang Fusion Private Investment Fund is a contract fund.

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of China New Town Development Company Limited, I present the Chairman Statement of 2018.

In 2018, China's economy continued to develop in a reasonable range and achieved overall balance and steady progress. China's GDP grew by 6.6% over the previous year, breaking through RMB90 trillion for the first time. The main expected objectives of economic and social development were well achieved. The progress of tackling three major issues, namely preventing and defusing major risks, targeted poverty alleviation and pollution control, and the supply-side structural reform was further promoted. More efforts were made in the reform and opening-up and people's livelihood continued to improve. However, it is noteworthy that the economic operation is stable, changing and worrying. The external environment is complicated and severe and the economy is facing downward pressure, but the core drive of China's sustainable economic development will not be affected. On one hand, the high-quality development of China's manufacturing industry still provides tremendous investment, innovation and employment opportunities. The real economy sector dominated by manufacturing industry is "getting better steadily". The accelerated transformation of new and old momentum of manufacturing industry, the comprehensive integration of manufacturing industry and technological innovation, as well as the deep integration of advanced manufacturing industry and modern service industry make the supporting role of manufacturing sector on the "midstream pillar" of high-quality economic development more evident. On the other hand, the steadily expanding consumption scale and the continuous upgrade of consumption structure to the middle and high end have increasing effect on supporting China's economic growth. Among them, residents' income and economic growth have basically in a healthy state of synchronous growth, the growth of residents' consumption has gradually sped up, the driving force of consumption is gradually strengthened, and the consumption structure continues to upgrade.

Under the circumstances of more complex environment and worsening economic and trade frictions at home and abroad, China New Town Development Company Limited (the "Company", together with its subsidiaries, the "Group") will adhere to the guidance of Xi Jinping's socialist ideology with Chinese characteristics in the new era based on the development strategy of "investment + downstream product operation", and leverage on the extensive experience in the industry and risk control of CDBC and CDB, the controlling shareholder of the Company, to face challenges and make steady progress. It will continue to seek ways in improving people's livelihood and create value for shareholders.

STICK TO NATIONAL POLICY, SUPPORT PEOPLE'S LIVELIHOOD AND IMPROVE THE INDUSTRY

Promoting people-oriented urbanization as the core and improving quality-driven new urbanization strategy is an important practice in the development of socialism with Chinese characteristics in the new era, a key measure in building a modern country, and a strong support for the implementation of rural revitalization and networking of unique towns and large and medium-sized cities. 2018 is the beginning of the implementation of the spirit of the Nineteenth National Congress of the Party and the 40th anniversary of reform and opening-up. It is a key year to build a moderately prosperous society comprehensively and carry out the 13th Five-Year Plan.

In 2018, the Group studied and implemented the socialism ideology with Chinese characteristics in the new era of Xi Jinping and the principle of the 19th National Congress of the Party, fully implemented the central economic work conference, the central rural work conference and the government work report deployment, insisted on maintaining stability while making progress in the general work guideline and adhered to the new concept of development. In response to the main contradiction of China's social change, the Group promoted new and quality urbanization development to achieve new breakthroughs at the new starting point. In 2018 the central economic work conference and the report of the 19th National Congress pointed out an important direction for the development of new urbanization, including the promotion of the synchronous development of new industrialization, informatization, urbanization and agricultural modernization; achieving the rural revitalization through prosperous industry, livable place of residence, rural civilization, effective governance and affluent life; it recognized the construction performance and effectiveness of unique towns; it also described the concept of "networking of large and medium-sized cities" to improve the quality of urban cluster, promote the network construction of large and medium-sized cities, and enhance the attractiveness of the agricultural population migration and capacity.

The Group adhered to the national guidance of the new urbanization policy and carried out measures accordingly to speeds up the implementation of business layout of key areas to improve people's livelihood and product development in education, tourism, recreation and industrial base. In 2018, it made significant breakthroughs in majors projects including the construction of Nanjing Jiangning Kirin Bilingual School, the acquisition of Lenovo Wuhan Research and Development Base Project and the signing of the new cooperation agreement for Shanghai Luodian Project.

BREAKTHROUGH IN NEW URBANIZATION BUSINESS

In 2018, with the fluctuation of economic environment at home and abroad, the Group still insisted on the stability of investment in new urbanization construction, and made significant breakthroughs in remaining projects, industrial base projects and education projects.

Leveraging on the extensive experience in risk control and the national resources advantage of the CDB system, the Group maintained a steady increase in fixed income portfolio. By the end of 2018, the average annualized investment return rate before tax of the fixed income portfolio decreased to about 10.5% due to the successful withdrawal of the Nanjing Yuhua Two Bridge Shanty-town Renovation Project, which had a higher rate of return. It remained higher than the risk-weighted average annualized investment return rate in the same industry; the total portfolio value was RMB3.25 billion, representing an increase of approximately 55.63% as compared with that at the end of 2017.

For the investment and operation of industrial base projects, the Group has reached consensus with Lenovo Group Limited in 2017 to acquire the Lenovo Wuhan Research and Development Base Project held by a wholly-owned subsidiary of Lenovo Group Limited at the High-Tech Development Zone in Donghu District, Wuhan. The project was completed in June 2018 as a well-known optoelectronics and semiconductor industry base in China, which is in line with the direction of Integrated Circuit Industrial Park to be developed by the Group. Currently, the project is completed and put into operation. The Group integrates the resources advantages of CDB, creates quality ancillary facilities of the industrial park and enjoys long-term income and asset appreciation. Meanwhile, it ensures the quality of project operation and profitability. At present, the enterprises which have moved to the industrial park include new technologies and industrial companies with innovative and leading features, which strongly supports the national strategy of new and old momentum transition.

In the education sector, the Group duly launched the investment and operation of the education industry in 2018. In the report of the 19th National Congress, it was pointed out that building a country with good education is the fundamental project for the great rejuvenation of the Chinese nation. Pursuant to Modernization in Education for China 2035 issued by the Central Committee of the Communist Party and the State Council, it called for the full implementation of the strategy of giving priority to education development in order to support national modernization by educational modernization; improvement of the long-term mechanism to ensure the sustained and stable growth of financial investment in education, ensuring that the expenditure on education in the general public budget increases year by year, supporting and regulating the establishment of education by social forces; promotion of the education modernization in an all-round coordinated manner so as to create a good atmosphere for the whole society to care, support and actively participate in the construction of education modernization. In order to provide diversified products in education, China Development Bank Education Company Limited, a wholly-owned subsidiary of the Group, participated in the establishment of Kaiyuan Education Fund (the "Kaiyuan Education") to build an international bilingual K12 school originated in Chinese culture as a starting point and implement the Group's layout in the education sector. Currently, the Nanjing Jiangning Kirin Bilingual School Project, the first project invested and operated by Kaiyuan Education, has been established and will be partially opened for studying in 2019.

With the orderly development of the Group's business, breakthroughs have been made in remaining projects. Luodian Project in Baoshan District, Shanghai, the first new town project developed by the Group since 2002, has re-signed cooperation agreement with the Baoshan District Government of Shanghai on 29 December 2018, due to the expiration of the cooperation agreement of the original project on 20 August 2017 and after several rounds of communication with the local government of Shanghai. The agreement will improve part of the Company's cash flow. Although the original cooperation model is not able to continue due to the change of national policy, the Company will continue to seek further cooperation and opportunities under the new cooperation model leveraging on intensive cultivation and layout in Shanghai for years.

SEEK ACTIVE BUSINESS TRANSFORMATION

In 2018, influenced by domestic and foreign economic environment, the Group changed from a period of continuous performance improvement to a period of development and transformation after the acquisition of CDBC. The operating income was RMB722 million this year, and profit attributable to the equity holders of the parent was RMB84 million. The reason for the significant decrease compared with 2017 is due to significant increase in exchange losses of the Company as compared with last year influenced by international foreign exchange. The business income dropped as compared with that of last year.

In order to reward the long-term support of investors, the board of directors of the Company (the "Board") recommended to distribute a final dividend of HKD0.006 per share for 2018, which reveals the Company's confidence in its long-term development.

Looking ahead to 2019, the economy is still full of challenges. The Company will continue to make steady progress in the challenges, carefully allocate investment and explore its own business transformation strategy. It will adhere to the implementation of national policies and make full use of the synergy of projects and network resources with CDB and CDBC. It will further explore opportunities and resources of the downstream sector in the principal business. The Company will enhance core competitiveness of its brand and create core value for shareholders in the long run continuously, in a bid to further develop in exploration and achieve stable results in challenges.

Finally, on behalf of the board of directors, I would like to express my sincere gratitude to all shareholders, investors, financial institutions and relevant partners for their unremitting support to the Company in the past year. Meanwhile, I would like to pay sincere heartfelt respects to the hard work of directors, management and all staff. We will continue to strive to create more long-term interests and value for all shareholders.

CEO Statement

Dear Shareholders,

2018 is a year in which China New Town Development Company Limited (the "Company", together with its subsidiaries, the "Group") abides by the business development strategy and makes progress steadily and deepens reform and development under the environment of domestic and foreign economic fluctuations and industry adjustment.

For business development, the Group maintained a stable size and return on investment for fixed income investment portfolio; leveraging on the abundant resources and network advantages of CDB and CDBC, the controlling shareholder of the Company, the Group continued to promote the project progress of downstream education, industrial bases and other sectors in 2018. It not only achieved milestone results in the layout of the education industry, but also began to provide considerable income to the Group through holding assets of quality industrial base project in the long run. Project assets have begun to contribute. In addition, in order to repay RMB bonds issued in Hong Kong at the beginning of the acquisition in 2015, the Group considered RMB capital status abroad and commenced overseas financing in advance to ensure that the Group has sufficient funds for business development. The Group steadily promoted business sectors such as improving people's livelihood and strictly controlled risks thereof. It steadily played a solid role in business transformation so as to lay a solid foundation for future sustainable development of assets and income.

With the orderly development of the Group's business, breakthroughs have been made in remaining projects. Luodian Project in Baoshan District, Shanghai, the first new town project developed by the Group since 2002, has re-signed cooperation agreement with the Baoshan District Government of Shanghai on 29 December 2018, due to the expiration of the cooperation agreement of the original project on 20 August 2017 and after several rounds of communication with the local government of Shanghai. The agreement will improve part of the Company's cash flow. Although the original cooperation model is not able to continue due to the change of national policy, the Company will continue to seek further cooperation and opportunities under the new cooperation model leveraging on intensive cultivation and layout in Shanghai for years.

The operating results decreased in 2018 as compared with that of 2017. The operating income was RMB722 million for the year, and profit attributable to the equity holders of the parent was RMB84 million. The reason for the significant decrease compared with 2017 is due to significant increase in exchange losses of the Company as compared with last year influenced by international foreign exchange. The business income dropped as compared with that of last year.

CONTINUOUS PROFIT CONTRIBUTIONS FROM FIXED INCOME INVESTMENT

Since 2017, the coordination mechanism of financial supervision has been strengthened. The coordination mechanism among monetary policy, fiscal policy, regulatory policy and industrial policy has been more effective. The macro-prudential management concept and framework with the central bank as the core has been gradually established. The systemic risk prevention mechanism has been further strengthened. Under this guidance, the Group is more prudent and severe in the selection, evaluation and investment of urbanization investment. It always pays close attention to the latest trends of the industry and market. With the strong support by controlling shareholders, the Group strikes a balance between stringent control of investment risk and return on investment. In the face of complex and ever-changing investment environment, it ensures the stable growth of investment portfolio. By the end of 2018, the balance of the Group's fixed income investment portfolio amounted to approximately RMB3.25 billion, and it recorded an annualized investment income of RMB340 million before tax. The average annualized investment return rate before tax was 10.5%, still maintaining a relatively promising investment return.

MILESTONE PROGRESS MADE IN EDUCATION BUSINESS

Since 2017, the Group has forged an education industry platform under CDB Brand and regarded the education industry as an important part of improving people's livelihood. In the Face of the needs of social development, the Group has provided comprehensive and diversified education products and services with urbanization as the principal business. New Town Education Company Limited was thus established and renamed as China Development Bank Education Company Limited ("China Development Bank Education") later. Leveraging on the extensive network resources of the parent, China Development Bank Education is positioned to provide products and services covering the education industry chain comprehensively. It plans to start from the international K-12 bilingual school originated in Chinese culture, gradually covers all stages of education and provides ancillary services and products related to education services. It is dedicated to providing the best products and excellent teachers for all education levels and contributing to the cultivation of a new generation with Chinese culture, self-confidence and international vision.

In 2018, the Group made milestone progress in education business. As a major strategic partner of the general partner of the fund, China Development Bank Education participated in the initiation and establishment of Kaiyuan Education Investment Fund, which is committed to investing in companies and projects in the education industry in Greater China and other potential regions of the world. As the first industry investment fund raised overseas, China Development Bank Education entered into the Strategic Cooperation Framework Agreement with Reigate Grammar School, a renowned century-old British school, to launch a long-term and exclusive cooperation in running schools in Greater China. In addition to implementing industrial investment funds, partners, projects and brands, the Group made full use of the network advantages across the country and actively sought out areas suitable for running schools. The first start-up project of Kaiyuan Education Fund is located in Nanjing Qilin Hi-tech Industrial Development Zone. It has developed and constructed a K12 school with bilingual courses, covering pre-school education to high school. In January 2019, Reigate Grammar School held a foundation-laying ceremony in Qilin Hi-tech Zone. As an important project of Nanjing Qilin Hi-tech Zone, it aims at introducing quality education resources and providing quality education. It is of great significance in meeting the needs of the public for quality education.

The Group will build a complete industrial chain of K12 school in the education sector and establish a sound operating income system with sustained growth and stable cash flow in the future.

POSSESS INDUSTRIAL BASE PROJECT ASSETS AND ENJOY STABLE RETURNS

The Group invests and allocates industrial base project assets in promising industrial areas of potential cities for economic development while achieving stable long-term income in the future, which enables it to improve the downstream urbanization industry chain. The Group will continue to investigate and select such projects and seek potential opportunities.

In 2018, the Company completed the acquisition of Lenovo Wuhan Research and Development Base Project located in the Optical Valley High-Tech Development Zone in Donghu District, Wuhan from Lenovo Mobile Communication Software (Wuhan) Co., Ltd. Optical Valley Development Zone is a national-tier high-tech industry park and renowned domestic optoelectronic and semi-conductor industry base, which is highly correlated with the direction of the Group's intended expansion into IC industry park. Upon the construction and operation of the project, top-notch enterprises mainly from the IC industry would be introduced to secure the operation quality and profitability of the targeted project. At the same time, the Group will also fully leverage on the investment capabilities of various business segments within the China Development Bank Corporation and attract local enterprises with expansionary and upgrade needs to move into the target project, to further enhance its operating efficiency and return on investment for the target project. Currently, the project has started to invite investment comprehensively. Leveraging on the resource advantages accumulated in the integrated circuit industry, a large number of enterprises have signed lease contracts. It is expected that by the end of 2019, the project will be basically completed the investment invitation and put into operation, providing long-term stable income to the Group.

ACHIEVE BREAKTHROUGHS IN REMAINING PROJECTS

Due to the expiration of the original cooperation agreement, on 29 December 2018, Shanghai Golden Luodian Development Co., Ltd. ("SGLD"), a non-wholly-owned subsidiary of the Company, signed a new cooperation agreement with the Baoshan District Government of Shanghai (the "Local Government") after several rounds of consultation and communication between the Company and the Local Government. The cooperation period is from 21 August 2017 to 20 August 2023. The Local Government will return the compensation of approximately RMB1.523 billion to SGLD for demolition, relocation and resettlement of the land parcel in the eastern area. It is expected that SGLD will complete the construction of the remaining municipal infrastructure and public ancillary facilities in the western area by 20 August 2023, and cooperate with the Local Government to complete the transfer of the project. Subsequently, the Local Government will engage SGLD as a contractor of the primary land development project in the eastern area to be in charge for the construction and management of the development project and receive certain amount of management fee.

Located in Baoshan District of Shanghai, Shanghai Luodian Project is the representative project of "One City, Nine Towns" in Shanghai. It is the first new town developed by the Company. It covers an area of 6.8 sq. km. and is divided into East and West parts. After more than ten years' development since 2002, the project has completed a series of quality ancillary facilities such as hotels, hospitals, schools and shopping areas. The signing of the cooperation agreement will enable the Company to further participate in the land development and construction projects under the original agreement, which creates potential opportunities for the Company in the future development of new towns in Luodian and further introduces various quality industrial resources to new towns in Luodian, including quality enterprises in the integrated circuit industry, quality education resources and recreational projects.

DEVELOP OVERSEAS FINANCING CHANNELS TO SATISFY COMPANY'S INVESTMENT NEEDS

In the early stage of acquisition, in order to coordinate with the progress of investment business, the Group actively constructed financing channels at home and abroad in 2015 and explored financing channels in line with the investment model of the Group's business, which provided stable cash flow to the Group. In the first half of 2015, the Group completed the issuance of the 3-year non-rated RMB bonds and the final size of issuance was RMB1.3 billion with an optimal interest rate of 5.5%. The overseas financing expired in 2018. The Company, as a platform for overseas listing of CDBC, has cooperated with CCB Asia to obtain an equivalent of USD100 million and HKD1,524 million syndicated facility for a term of three years in order to guarantee the timely repayment of the principal of matured bonds and meet the needs of the investment and operation of the Company's projects. With the continuous growth of the Company's fixed income in urbanization portfolio, it has provided stable cash flow and will provide strong support for repaying syndicated facility in the future.

2019 BUSINESS OUTLOOK

In 2019, the Group will continue to abide by the national policy and promote business progress in fixed income, remaining projects, industrial base projects, education and other sectors through "investment + downstream product operation". It will introduce good partners, deeply cultivate related business of improving people's livelihood, reserve and cultivate potential projects and improve the business layout of the Group.

1. **Stable fixed-income portfolio investment and reserve quality projects.**
   In 2019, the Group will continue to stabilize the size and return of fixed income portfolio based on stringent risk management and control. After thorough interpretation of national policies and timely adjustment of investment patterns according to policies, it is expected that the balance of fixed income portfolio will increase steadily by the end of 2019. It will further expand the business layout of other economically developed regions based on deep cultivation of Jiangsu, Zhejiang and Shanghai regions and develop reserves for quality projects while enhancing the return on investment.

2. **Deepen the management of remaining projects and active expand new projects.**

In 2018, the Company successfully withdrew from the Nanjing Yuhua Two Bridge Shanty-town Renovation Project, which provided considerable profits to the Company, and made positive progress in other remaining projects. In 2019, in addition to strengthening the remaining project management, the Company actively promotes related work in accordance with the new cooperation agreement between Shanghai Jinluodian Company and the Local Government and strengthens the promotion of Shanghai core city strategic industrial base project, land project for the elderly and the regulation of eastern land for education to achieve the sustainable development of business in Shanghai; it closely monitors the initiation of the projects in Junzhuang, Mentougou District of Beijing, strives to complete the first start-up project in healthcare industry; it completes the procedures related to the property of metro overlay project in Tiexin Bridge, Yuhuatai District of Nanjing as soon as possible and promotes the project to start construction comprehensively while actively accumulating customers and strengthening the cash flow; the Group focuses on promoting the planning and approval of Shenyang Lixiang Project, makes special reports to the Local Government, speeds up the improvement of the details of the planning, and strives for the early realization of the project development. In addition, the Company will continue to expand quality livelihood improvement projects and promote the initiation of new projects in accordance with existing strategies.

3. **Expand the size of project assets held in industrial bases**

The Group has accumulated industry experience through the successful acquisition and completion of Lenovo Wuhan Research and Development Base Project. In addition to striving to complete all investment invitation and carry out regular operation of the project in 2019, it will continue to take the network advantages of controlling shareholders to develop new quality industrial base project channels and continue to accumulate quality projects.

4. **Promote the Progress of Education Projects**

In 2019, the Group will continue to push forward the progress of the education project. Pursuant to Modernization in Education for China 2035 issued by the Central Committee of the Communist Party and the State Council, the Group will actively layout in the education sector in which social capital is encouraged to participate by the State. It will give full play to the advantages of the controlling shareholders of CDB and CDBC and leverage on the professional competence of the education team It will ensure the progress of existing projects, ensure that Nanjing Kirin Bilingual School has partially opened and actively expand new education projects to achieve the coordination and synergy with the internal business, with a view to building a integrated education sector that provides comprehensive education solutions for 0–18 years old.

Looking ahead to 2019, the Group will put the advantage of CDB’s systematical network resources and extensive experience in urbanization into full play. Under the leadership of the Company’s management team, it will integrate its advantages and unite with sincerity, aiming at building itself into a leading investment and operation platform in the field of livelihood improvement in China, and create long-term value for the shareholders.

Profiles of Directors and Senior Management

DIRECTORS

Mr. Zuo Kun,

aged 44, was appointed as a Non-executive Director and the vice chairman of the Board (the "Vice Chairman") on 28 March 2014. He was redesignated from a Vice Chairman to the chairman of the Board on 21 March 2019. Mr. Zuo holds a master's degree in politics and economics from Lanzhou University. Mr. Zuo is currently the vice president of China Development Bank Capital Corporation Limited* (國開金融有限責任公司) ("CDBC"), a controlling shareholder of the Company. He has extensive experience in the investment and financial industry. He joined CDBC in 2009 and has been the vice president of CDBC since March 2011. From 2001 to September 2009, Mr. Zuo had been working at, in a chronological order, the International Finance Bureau, Lanzhou Branch, and executive office of China Development Bank Corporation* (國家開發銀行) ("CDB").

Mr. Li Yao Min,

aged 68, was appointed as a Non-executive Director on 11 January 2007 and has been the Executive Vice Chairman of our Company since 1 April 2007. Mr. Li was previously appointed as Co-Vice Chairman on 1 December 2008 and has subsequently been re-designated as Chief Executive Officer and Co-Vice Chairman since 7 January 2010 and as Chief Executive Officer and Co- Chairman on 1 July 2011. Mr. Li was re-designated as a Non-executive Director and the Vice Chairman of the Board on 28 March 2014. From 1992 to 1993, he was attached to Shanghai Golden World Commercial Building Co., Ltd. as a General Manager, responsible for the overall management and development of commercial property. He has over 20 years of experience in business management and the property development industry, including over 12 years' experience in new town development in the PRC. Mr. Li is also a founder of SRE Group Limited ("SRE", 1207.hk), and was reappointed as the co-chairman and executive director of SRE on 29 August 2013, and resigned on 5 February 2015. Mr. Li will be responsible for the duties in the absence of the chairman of the Board and the execution of the Group's business strategies and plans.

Mr. Liu Heqiang,

aged 49, was appointed as an Executive Director and the Chief Executive Officer on 28 March 2014. Mr. Liu graduated from University of Science and Technology Beijing with a master's degree in industrial engineering. Mr. Liu has extensive experience in banking and investment industry. From December 2009 to 1 April 2015, Mr. Liu was the general manager of the direct investment division III of CDBC, a controlling shareholder of the Company, where he was responsible for the investment in urban development related areas. From 1992 to 2009, Mr. Liu had been working at, in a chronological order, in State Raw Materials Investment Corporation (國家原材料投資公司), and Northeast Credit Department (東北信貸局), Tianjian Branch, and the Market and Investment Business Bureau, of CDB. Mr. Liu is the president of the Company and is responsible for the management of the business of the Company and its subsidiaries (the "Group"). Mr. Liu is also a director of several subsidiaries of the Company, such as China New Town Holding Company Limited.

* For identification purposes only

Mr. Wei Dongzheng,

aged 46, was appointed as a Non-executive Director on 21 March 2019 and has more than 25 years of experience in financial, information technology and management. Mr. Wei graduated from Guanghua School of Management in Peking University in the PRC with an executive master's degree in business administration. Mr. Wei is currently an official cadre of CDBC who is assigned to Guokaiyuanrong Asset Management Co., Ltd. as deputy general manager. CDBC is the controlling shareholder of the Company. He joined CDBC in 2009 and had served as general manager of integrated business department. From December 1998 to December 2009, Mr. Wei served in Nanning Branch and Guangxi Branch of CDB. CDBC is a wholly-owned subsidiary of CDB. Before joining of CDB, he worked at the information centre of the main bureau of the General Office of the Party Committee of Guangxi Zhuang Autonomous Region and the Information Department of Guangxi Branch of China Investment Bank.

Mr. Wang Jiangang,

aged 37, was appointed as a Non-executive Director on 21 March 2019 and has more than 10 years of legal experience. He obtained a master's degree in international law from the International Law Department of Foreign Affairs College. Mr. Wang is currently a deputy general manager of investment management department and head of risk and legal compliance department of CDBC. CDBC is the controlling shareholder of the Company. He joined CDBC in 2010 and successively held the positions of deputy general manager of risk management department and head of legal affairs department. Prior to joining CDBC, he had worked at the bankruptcy reorganisation department and litigation and arbitration department of Beijing Jindu Law Firm.

Ms. Yang Meiyu,

aged 36, was appointed as an Executive Director on 28 March 2014. Ms. Yang graduated from Peking University with a master's degree in finance. Ms. Yang joined CDBC in December 2009, where she was responsible for urban development related investment and served as the manager, senior manager and assistant to general manager of the Direct Investment Division III of CDBC, a controlling shareholder of the Company, respectively, and the vice general manager of the Management Department of a subsidiary from April 2015 to August 2016. Currently, she also acts as directors and supervisors of various subsidiaries of CDBC. Prior to joining CDBC, Ms. Yang worked as an investment manager at China Reits Investment, where she was involved in various fund raising and land development projects. Ms. Yang is the vice president of the Company and is responsible for corporate financing, operation and investors' relation management. Ms. Yang is also the directors of several subsidiaries of the Company, such as Weblink International Limited, Meek O Investment Limited and Protex Investment Limited.

Profiles of Directors and Senior Management

Mr. Ren Xiaowei,

aged 47, was appointed as an Executive Director on 28 March 2014. Mr. Ren graduated from Beijing Machinery and Industrial College (北京機械工業學院) with a bachelor's degree in engineering. He joined CDBC, a controlling shareholder of the Company, in December 2009. He worked as assistant general manager and chief operating officer of China Development Caofeidian Investment Company Limited (國開曹妃甸投資有限公司), the vice president and chief investment supervisor of China Development Jilin Investment Company Limited. Mr. Ren had been the senior manager of the direct investment division III of CDBC and the vice general manager of the department, respectively, from 2009 to 2014. He has extensive experience in import and export industry. Prior to joining CDBC, Mr. Ren worked as department manager of China National Machinery Import & Export Corporation (中國機械進出口公司) from 1995 to 2003 and as managing director of Bidwiin Tech from 2003 to 2009. Mr. Ren is currently the vice president of the Company and is responsible for the management of urban development projects and construction projects. Mr. Ren is also a legal representative of Shanghai Golden Luodian Development Co., Ltd and a director of several subsidiaries of the Company.

Mr. Shi Janson Bing,

aged 35, graduated from the University of Southern California and obtained a bachelor's degree in accounting in May 2007, joined the Group in December 2007 and was an Executive Director from 12 December 2007 to 28 March 2014. Mr. Shi was appointed as an Executive Director on 12 August 2016 and is responsible for strategic cooperation of the Group. He was an executive director of SRE (Stock Code: 1207) from 17 July 2015 to 12 July 2018.

Mr. Henry Tan Song Kok,

aged 54, was appointed to our Board on 25 September 2007. He is the Lead Independent Non-executive Director and the Chairman of the audit committee of the Board (the "Audit Committee") and a member of each of the nomination and remuneration committees of the Board (the "Nomination Committee" and the "Remuneration Committee", respectively). He is the Managing Director of Nexia TS Public Accounting Corporation and Nexia TS Pte Ltd. He was the past Asia Pacific Regional Chairman and board member of Nexia International. He holds directorship for several companies. He is a director of YHI Corporation (S) Pte Ltd, BH Global Corporation Limited and Yinda Infocomm Limited. He is the Chairman of the Nanyang Business School Alumni Advisory Board of NTU. Previously, he was a director of Raffles Education Corporation Limited and Ascendas Fund Management (S) Limited (Manager of Ascendas Real Estate Investment Trust). Mr. Tan graduated with a First Class Honours Degree in Accountancy from the National University of Singapore. He is a Fellow of the Institute of Singapore Chartered Accountants, Institute of Chartered Accountants of Australia and New Zealand, CPA Australia and Insolvency Practitioners Association of Singapore Ltd and Singapore Institute of Directors and a member of Institute of Internal Auditors, Inc (Singapore Chapter) and Singapore Institute of Accredited Tax Professional Limited.

Mr. Kong Siu Chee,

aged 72, was appointed as an Independent Non-executive Director on 30 November 2006. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee. Mr. Kong obtained a bachelor's degree in arts from the University of Hong Kong in November 1969 and a master degree in business administration from the Chinese University of Hong Kong in December 1980. He is an associate of The Chartered Institute of Bankers in the United Kingdom. Mr. Kong began his career in 1969 with Standard Chartered Bank, where he served in various managerial positions for 24 years. In 1993, he pursued his new business interest in the telecommunications sector and was a director of Champion Technology Holdings Limited from 1993 to 1994 and a director of Kantone U.K. Ltd. from 1994 to 1996. Between 1999 and 2005, he served as a director, Executive Vice President and Alternate Chief Executive Officer of CITIC Ka Wah Bank Limited (renamed as CITIC Bank International Limited in May 2010), and was also a director and the Managing Director of CITIC International Financial Holdings Limited from 2002 to 2005. Mr. Kong has been appointed as an independent non-executive director of Harbin Bank Co., Ltd. (Stock Code: 6138) since October 2013, and an independent non-executive director of Chinney Kin Wing Holdings Limited (Stock Code: 1556) since 20 October 2015.

Mr. Zhang Hao,

aged 59, was appointed as an Independent Non-executive Director and a member of the Audit Committee on 13 February 2012. Mr. Zhang is currently the vice director and part-time professor of the Yangtze River Basin Development Institute of the East China Normal University. He graduated from the Department of Economics of the Nanjing University in August 1990 and then obtained a master degree in business administration from the Shanghai Jiao Tong University in March 2005. Mr. Zhang had previously served in various departments of the provincial government of the People's Republic of China for over 29 years. From August 1981 to August 1996, he worked first as the senior staff member in the Planning Commission of Chongming County and then as the superintendent of the Seawall Project Management of Chongming County. From August 1996 to December 2010, Mr. Zhang held various positions including as a senior staff member of the Cooperation Office of the Shanghai Municipal Government and a cadre of the department of district and county economy of the Shanghai Municipal Development Planning Commission.

Mr. E Hock Yap,

aged 63, was appointed as an Independent Non-executive Director on 29 May 2012. He is also the Chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee. He obtained a bachelor's degree in Chemical Engineering from the University of Sheffield, United Kingdom in 1978. He is also a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He started his career with the London office of KPMG as an auditor specializing in insolvency from August 1978 to May 1983. From May 1983 to January 1987, he worked at Chase Manhattan Bank as an investment banker and in various investment banks in the region. He later took up management roles in several financial services companies in the Asia Pacific Region. He served as the Chief Executive Officer and as the Managing Director of Prime Credit Limited during the period from August 1999 to December 2007. Mr. Yap has also been appointed as an executive director of Convoy Global Holdings Limited (Stock Code: 1019) since 9 December 2017.

SENIOR MANAGEMENT

Mr. Mao Yiping,

aged 50, joined SRE in 1993. He subsequently joined our Group in November 2006 and was appointed as an Executive Director on 30 November 2006 and was appointed as Vice President on 22 November 2007. He has been the General Manager for the new town project located in Shenyang Lixiang District ("Shenyang Project") since 1 April 2007 and is responsible for overseeing the development of the Shenyang Project. Mr. Mao obtained a bachelor's degree in mechanical engineering from the Shanghai Jiao Tong University in July 1991 and a master's degree in business administration from the City University of Hong Kong in November 2003. He resigned as an Executive Director on 28 March 2014, and was designated as Vice President of the Company with effect from 28 April 2014.

Mr. Wu Jubo,

aged 52, has been appointed as CFO on 11 March 2015. Mr. Wu graduated from the University of Science and Technology Beijing with a bachelor degree of accounting in January 2005. Mr. Wu holds a PRC professional qualification certificate in accounting and has over 31 years of experience in accounting and finance management. Prior to joining the Company, he was the Chief Accountant at Yangzhou subsidiary of CITIC Pacific Special Steel Group from 1 May 2013 to 1 April 2014. He also worked as the director and financial controller at Kazakhstan KMK Oil Joint Stock and the deputy general manager at Wuxi Heng Yuan Investment Company Limited from 1 May 2010 to 1 May 2013. During the period from 4 April 2004 to 1 May 2010, Mr. Wu was the head of the finance department of CITIC Pacific (Hong Kong) Investment Company Limited, Chief Accountant at Xing Cheng Special Steel Co., Ltd., and director and company secretary of Daye Special Steel Co., Ltd. Mr. Wu would be responsible for matters relating to corporate finance, corporate development and assists in strategic planning, as well as other financial management duties.

Five-Year Financial Summary

A summary of the consolidated results and assets and liabilities of the Company and its subsidiaries (the "Group") of the last five financial years, as extracted from the published audited financial statements and reclassifies as appropriate, is set out below.

	For the year ended 31 December				
RMB'000	**2018**	2017	2016	2015	2014
Continuing operations					
Operating income	**722,126**	1,232,296	303,088	210,837	113,214
Revenue	**599,286**	1,151,794	244,572	163,962	64,583
Other income	**122,840**	80,502	58,516	46,875	48,631
Operating expenses	**(853,240)**	(665,085)	(334,524)	(182,941)	(829,225)
Cost of sales	**(444,842)**	(391,246)	(46,164)	(12,445)	(651,195)
Selling and administrative expenses	**(137,585)**	(125,764)	(126,207)	(97,745)	(91,260)
Finance costs	**(149,708)**	(99,145)	(104,595)	(69,230)	(85,923)
Other expenses	**(121,105)**	(48,930)	(57,558)	(3,521)	(847)
Operating (loss)/profit	**(133,114)**	567,211	(31,436)	27,896	(716,011)
Gain on disposal of subsidiaries and joint ventures	**—**	—	103,444	60,378	616,091
Share of loss of a joint venture	**(14,954)**	(4,395)	(1,204)	(51)	—
(Loss)/profit before tax from continuing operations	**(146,068)**	562,816	70,804	88,223	(99,920)
Income tax	**268,320**	(143,452)	(3,651)	5,254	44,941
Profit for the year from continuing operations	**122,252**	419,364	67,153	93,477	(54,979)
Discontinued operations					
Loss after tax for the year from discontinued operations	**—**	—	(34,065)	(125,359)	(154,191)
Gain after tax on disposal of assets and liabilities relating to discontinued operations	**—**	—	301,277	67,683	3,990
Profit/(loss) for the year	**122,252**	419,364	334,365	35,801	(205,180)
Non-controlling interests	**38,359**	83,750	11,711	(29,340)	(143,776)
Profit/(loss) attributable to equity owners of the parent	**83,893**	335,614	322,654	65,141	(61,404)
Assets and liabilities					
Total assets	**9,005,415**	8,098,824	8,111,971	10,885,616	9,812,131
Total liabilities	**4,388,007**	3,493,610	3,834,104	7,001,194	5,964,695
Total equity	**4,617,408**	4,605,214	4,277,867	3,884,422	3,847,436
Equity attributable to equity owners of the parent	**4,192,996**	4,221,394	3,913,611	3,590,957	3,525,816
Non-controlling interests	**424,412**	383,820	364,256	293,465	321,620
Total equity	**4,617,408**	4,605,214	4,277,867	3,884,422	3,847,436

Financial Review

OPERATING RESULTS

Revenue

Our results from operation mainly include fixed-income investments in urbanization projects, revenue arising from land development of some projects and downstream operations in urbanization. During the year ended 2018 (the "Year 2018"), the Group recorded revenue of RMB599,286 thousand, decreased by 48% as compared to that of the year ended 31 December 2017 (the "Year 2017"), primarily because the Group recorded revenue of RMB267 million from land development in 2018, decreased by 70% as compared to that of last year. For the Year 2018, revenue of RMB176 million was derived from the development of land infrastructure and revenue of RMB91 million was derived from construction of ancillary public facilities. In 2018, we recorded revenue of RMB312 million related to urbanization development, consist of interest from debt instruments at amortised cost of RMB276 million, interest similar income from investment funds of RMB24 million and revenue related to fee from asset and fund management of RMB12 million, increased by 17% compared to that of Year 2017. As the investment property of Lenovo Mobile Communication Software (Wuhan) Limited ("Lenovo Wuhan") was acquired in 2018, new revenue from investment property leasing of RMB15,610 thousand and property management fee of RMB4,978 thousand was recorded during this year.

Other income

For the Year 2018, other income amounted to RMB123 million, increased by RMB42,338 thousand as compared to that of Year 2017. It was mainly due to an increase of fair value of investment property by RMB76,009 thousand for the Year 2018. Besides, the interest income from bank deposits decreased by RMB14,495 thousand compared to that of Year 2017, and gain on financial instrument at fair value through profit or loss decreased by RMB16,233 thousand compared to that of Year 2017.

Cost of sales

For the Year 2018, cost of sales amounted to RMB444.84 million, increased by 13.7% as compared to that of Year 2017, mainly due to an increase of cost of land development of RMB54.65 million for the Year 2018. This was due to an increase of the corresponding cost of completed land infrastructure and cost of completed ancillary public facilities for Shanghai Golden Luodian Development Co., Ltd. ("SGLD").

Other expenses

For the Year 2018, other expenses were RMB121.11 million, 1.48 times more than those of Year 2017, mainly because foreign exchange net loss was RMB105.04 million, increased by RMB95.43 million as compared to that of Year 2017, and the Group adopted International Financial Reporting Standards ("IFRSs") 9 on 1 January 2018 and credit loss expense of RMB13.46 million was recorded during the Year 2018, while none was recorded during Year 2017. In addition, other receivables of RMB38,679 thousand was written off in Year 2017, while none was recorded during the Year 2018.

Finance costs

For the Year 2018, the Group recorded net finance costs of RMB149.71 million, which was an increase of RMB50.56 million as compared to those of Year 2017, mainly due to the increase of average balance of bank and other borrowings during the Year. Interest on bank and other borrowings was RMB110.34 million, increased by RMB92.95 million compared to that of Year 2017, because of new long-term loans of USD76.97 million and HKD1,173 million (equivalent to RMB1,556 million as at the end of the Year 2018) from China Construction Bank (Asia) Corporation Limited ("CCB (Asia)"), a new short-term loan of HKD500 million from China Minsheng Bank ("Minsheng Bank"), which had been repaid during the Year 2018, and a new long-term loan of RMB561 million from Minsheng Bank. Interest on senior guaranteed notes was RMB26.99 million, decreased by RMB48 million compared to that of Year 2017, because the senior guaranteed notes had been repaid on 30 April 2018. No interest capitalization was accrued for the Year 2018.

Share of losses from associates and joint ventures

For the Year 2018, the Group recorded share of losses of RMB6,208 thousand from associates, consist of share of gain of RMB454 thousand from Kaiyuan Education Fund GP Holdings Limited ("Kaiyuan Education"), and share of loss of RMB6,662 thousand from Kaiyuan Education Fund LP ("Kaiyuan Fund"); the Group recorded share of losses of RMB8,746 thousand from joint ventures, consist of share of gain of RMB589 thousand from Zhongke Guoyin (Wuxi) Enterprise Management Co., Ltd. ("Zhongke Guoyin"), share of loss of RMB1,074 thousand from Beijing Guowan Real Estate Co., Ltd. ("Beijing Guowan"), share of loss of RMB3,979 thousand from Beijing Guoyuan Agriculture Co., Ltd. ("Guoyuan Agriculture"), share of loss of RMB1,597 thousand from Nanjing Guofa Real Estate Co., Ltd. ("Nanjing Guofa"), share of loss of RMB1,827 thousand from Nanjing Guoying Zhongxi Development Co., Ltd. ("Nanjing Guoying"), and share of loss of RMB858 thousand from Zhejiang Kailian Investment Management Co., Ltd ("Zhejiang Kailian").

Taxation

For the Year 2018, the Group recorded an income tax charge of RMB46.05 million in respect of current year, such income tax mainly attributable to: (i) current income tax charge of RMB13.75 million; (ii) deferred tax asset charge of RMB13.11 million; and (iii) withholding tax of RMB19.18 million. The Group also recorded an income tax credit of RMB314.37 million in respect of previous years due to the modification of the cooperation model in respect of the land development in Luodian New Town.

Financial Position

Investment in associates

The balance as at 31 December 2018 amounted to RMB7,426 thousand, this was due to that China Development Bank Education ("CDB Education"), a wholly-owned subsidiary of the Company, contributed USD1,024 thousand (equivalent to RMB6,487 thousand as at the end of Year 2018) to Kaiyuan Education, and contributed USD1,120 thousand (equivalent to RMB7,411 thousand as at the end of Year 2018) to Kaiyuan Fund which shared a total loss of RMB6,208 thousand from associates and shared other comprehensive loss arising from associates of RMB264 thousand due to foreign currency translation.

Investment in joint ventures

The balance as at 31 December 2018 increased by RMB128 million as compared with the balance as at the end of 2017, mainly because CDBC Nanjing Investment Development Co., Ltd. ("CDBC Nanjing"), China New Town Holding Company Limited ("CNTH") and Sichuan Zhongxi Property Co., Ltd set up a joint venture Nanjing Guoying whereby CDBC Nanjing and CNTH invested RMB36.74 million and RMB73.26 million respectively, representing a 16.7% and a 33.3% shareholdings; CDBC New Town (Beijing) Asset Management Co., Ltd. ("CDBC New Town") invested RMB5 million in Zhejiang Kailian, holding 50% of the shares; CDBC Nanjing invested RMB5 million in Zhongke Guoyin, holding 50% of the shares; CDBC Modern Agricultural Investment Management (Beijing) Co., Ltd. newly contributed RMB2,216 thousand to Guoyuan Agriculture during the Year 2018. The Group shared a total loss of RMB8,746 thousand from joint ventures during the current year. The Group also shared the reserve of Nanjing Guofa of RMB14.44 million due to the capital reserve injection from Mingfa Group.

Debt instruments at amortised cost (non-current assets)

The 2018 year-end balance of debt instruments at amortised cost (non-current assets) amounted to RMB2,365 million, an increase of RMB1,070 million as compared with the balance as at the end of 2017. This was due to (i) the Group's principal investment of new loans and receivables (non-current assets) in 2018 subtotaling to RMB2,034 million: RMB400 million to Nanchang Science and Technology Park Project of Chinese Academy of Sciences, RMB100 million to Lianyungang Haohai R&D Centre Project, EUR20 million (equivalent to RMB157 million as at the end of Year 2018) to Jiangsu Xuzhou Peixian County Industrial Concentration Area Construction Project, USD47 million (equivalent to RMB323 million as at the end of Year 2018) and RMB1 million to Jiangsu Taizhou New Energy Industrial Park Project, HKD230 million (equivalent to RMB202 million as at the end of Year 2018) and RMB1 million to Shandong Qingzhou MI River Comprehensive Control Project, HKD350 million (equivalent to RMB307 million as at the end of Year 2018) to Jiangsu Lianyungang Haizhou Bay Tourism Town Project, HKD60 million and USD37 million (equivalent to RMB306 million as at the end of Year 2018) and RMB1 million to Jiangsu Huai'an Huaiyin District Urban Renewal Project, EUR25 million (equivalent to RMB196 million as at the end of Year 2018) to Yangzhou Gaoyou National Agricultural Science and Technology Park Project, and RMB40.89 million to Gaoyou PPP Project; (ii) the Group successfully exited from CDB Yuhua Project and received the principal of RMB490 million; (iii) Yangzhou Airport New Town Project of RMB300 million and Qinghuangdao Project of RMB150 million to be mature within in a year, reclassified to debt instruments at amortised cost (current assets); (iv) and the allowance for expected credit loss ("ECL") amounted to RMB24 million.

Financial assets at fair value through profit or loss (non-current assets)

The balance as at 31 December 2018 amounted to RMB99.12 million, mainly because CDBC new town had contributed a total principal of RMB52.75 million to the Urbanization Fund, which amounted to RMB60.05 million at the end of Year 2018 and a fair value loss of RMB1.95 million was recorded for the Year and the cumulative changes in fair value amounted to RMB7.3 million; due to the adoption of IFRS 9 on 1 January 2018, available-for-sale financial asset was reclassified to financial asset at fair value through profit or loss — equity instruments, which amounted to RMB33.63 million at the end of Year 2018; fair value of the cross currency swap contracts with CCB (Asia) amounted to RMB5,439 thousand.

Investment property

The balance as at 31 December 2018 was RMB1,315 million, this is due to the acquisition of Lenovo Wuhan, which had investment property under construction at the acquisition date. As at the end of 2018, it was measured at fair value, as the fair value of its completion can be measured reliably. The cost of the investment properties was RMB1,239 million. The fair value increased by RMB76,009 thousand. The circular with details of the acquisition was dispatched to the shareholders of the Company in late August 2018.

Other receivables

The balance as at 31 December 2018 decreased by RMB104 million as compared with the balance as at the end of Year 2017, mainly because 1) the return of RMB133.38 million of bid bond to Chengdu Rural Property Exchange for the Lushan reconstruction programs in Qionglai City was received; 2) the remaining balance due from SRE Investment Holding Limited ("SREI") decreased by RMB87.56 million; 3) the return of RMB23 million from Wuxi Project had been received; 4) a new shareholder loan of RMB170 million to Nanjing Guofa, and a new shareholder loan of RMB40 million to Nanjing Guoying was provided; 5) interest receivables from loans and receivables decreased by RMB58,299 thousand; and 6) in Year 2018, allowance for ECLs of RMB7,982 thousand had been recorded due to the adoption of IFRS 9.

Debt instruments at amortised cost (current assets)

The balance as at 31 December 2018 amounted to RMB848 million, which consisted of Yangzhou Airport New Town Project of RMB300 million, Qinghuangdao Project of RMB150 million, Yangzhou Xincheng River Hanjiang Branch Region Integrated Renovation Project of RMB200 million, and Jiangsu Taizhou New Energy Industrial Park Project of USD30 million (equivalent to RMB206 million as at the end of Year 2018). The allowance for ECLs amounted to RMB8 million.

Financial assets at fair value through profit or loss (current assets)

The balance as at 31 December 2018 amounted to RMB177 million, mainly because CDBC New Town purchased wealth management products issued by Shanghai Pudong Development Bank ("SPDB").

Other assets (current assets)

The balance as at 31 December 2018 increased by RMB16.66 million as compared with the balance as at the end of 2017, due to value-added tax ("VAT") to be deducted at the end of Year 2018.

Interest-bearing bank borrowings

The balance as at 31 December 2018 increased by RMB2,093 million as compared with the balance as at the end of 2017. This was mainly due to new long-term loan of USD76.97 million and HKD1,173 million (equivalent to RMB1,556 million as at the end of Year 2018) from CCB (Asia), a new long-term loan of RMB561 million from Minsheng Bank, the repayment of the loan of RMB50 million to Industrial and Commercial Bank of China Limited ("ICBC"), and the receipt of a new loan from ICBC of RMB22.83 million. All the outstanding bank borrowings were denominated in RMB with interest rate ranging from HIBOR plus 2.2% to 6.175% per annum.

Trades payables

The balance as at 31 December 2018 increased by RMB554 million as compared with the balance as at the end of Year 2017. This increase was mainly attributable to the increase of RMB349 million of payable for land development and RMB205 million of payable for construction expenditures for investment properties.

Other payables and accruals

The balance as at 31 December 2018 increased by RMB131 million as compared with the balance as at the end of Year 2017. This movement was mainly due to other borrowings of RMB162 million from Huzhou Tongchuang Jintai Huizhong Enterprise Management Partnership (Limited Partnership) ("Tongchuang LP"), a shareholder of CDBC Co-Create Enterprise Management (Huzhou) Co., Ltd. ("CCEM Huzhou"); offset payable for capital return of RMB74.92 million of Shenyang Lixiang New Town Modern Agriculture Co., Ltd. according to agreement.

Financial liabilities at fair value through profit or loss

The balance as at 31 December 2018 increased by RMB5,288 thousand as compared with the balance as at the end of Year 2017, mainly because CNTH entered into one cross currency swap contract with SPDB to reduce the level of foreign currency risk for expected investments and purchase. The fair value amounted to RMB5,613 thousand.

Cash and bank balances

Overall, cash and cash equivalents for the Year decreased by RMB869 million as compared with the balance as at the end of Year 2017, with a total balance of RMB663 million as at 31 December 2018, mainly due to net operating cash outflow of RMB853 million, net investing cash outflow of RMB485 million, and net financing cash inflow of RMB466 million during the Year 2018.

Gearing ratio (defined as net debt/the sum of shareholders equity and net debt) as at 31 December 2018 was 27.82%, which increased dramatically as compared with 2.43% as at 31 December 2017, mainly because bank borrowings for the Year increased largely compared to Year 2017.

Details of important events affecting the Group which have occurred since the end of the Year

In 2018, China's economy continued to develop in a reasonable range and achieved overall balance and steady progress. China's gross domestic product grew by 6.6% over the previous year, breaking through RMB90 trillion for the first time. The main expected objectives of economic and social development were well-achieved. The progress of tackling three major issues, namely preventing and defusing major risks, targeted poverty alleviation and pollution control, and the supply-side structural reform was further promoted. More efforts were made in the reform and opening-up and people's livelihood continued to improve. It is noteworthy that the economic operation is stable, changing and worrying. The external environment is complicated and severe and the economy is facing downward pressure, but the core drive of China's sustainable economic development will not be affected. On one hand, the high-quality development of China's manufacturing industry still provides tremendous investment, innovation and employment opportunities. The real economy sector dominated by the manufacturing industry is "getting better steadily". The accelerated transformation of new and old momentum of the manufacturing industry, the comprehensive integration of manufacturing industry and technological innovation, as well as the deep integration of advanced manufacturing industry and modern service industry make the supporting role of the manufacturing sector on the "midstream pillar" of high-quality economic development more evident. On the other hand, the steadily expanding consumption scale and the continuous upgrade of consumption structure to the middle and high ends have increasingly effect on supporting China's economic growth. Among them, residents' income and economic growth have basically been in a healthy state of synchronous growth, the growth of residents' consumption has gradually sped up, the driving force of consumption is gradually strengthened, and the consumption structure continues to upgrade.

In 2018, with the fluctuation of economic environment domestically and abroad, the Group still assured stable fixed income investment portfolio and return on investment, while making major breakthroughs in education, industry base and remaining projects.

For the fixed income investment, the Group is more prudent and severe in the selection, evaluation and investment of investment projects. It always pays close attention to the latest trends of the industry and market. With the strong support of the controlling shareholders, the Group strikes a balance between stringent control of investment risk and return on investment. In the face of complex and ever-changing investment environment, it ensures a stable growth of the investment portfolio. By the end of 2018, the balance of projects under the Group's fixed income investment portfolio amounted to approximately RMB3.25 billion, and it recorded an annualized investment income of RMB340 million before tax. The average annualized investment return rate before tax was 10.5%, still maintaining a relatively promising investment return.

For the investment and operation sector of industrial base, the Group has accumulated industry experience through successful acquisition and completion of the property transactions in Lenovo Wuhan Research and Development Base Project. The project has commenced to attract investment comprehensively. With the resource advantages accumulated in the integrated circuit industry, the Group will continue to use the network advantages of the controlling shareholders to develop new channels for quality industrial base projects and accumulate quality projects. By the end of 2018, the contracting rate of the office building for the project has been approximately 60% with a number of domestic and foreign companies. The commercial part of the project is used as office's ancillary facilities. Leveraging its location advantages and business needs, it actively expands all channels to attract investment. The overall cumulative rate of customers who are interested in investing our commercial project was 85%. The project company will organize various business promotion activities subsequently to increase efforts in attracting investment with an aim to complete overall investment promotion in 2019.

For the remaining projects, due to the expiration of the original cooperative agreement, on 29 December 2018, SGLD, a non-wholly-owned subsidiary of the Company, signed a new cooperative agreement with the Baoshan District Government of Shanghai (the "Local Government"). The cooperation period is to 20 August 2023. The Local Government will return the compensation of approximately RMB1.523 billion to SGLD for demolition, relocation and resettlement of the land parcel in the eastern area. It is expected that SGLD will complete the construction of the remaining municipal infrastructure and public ancillary facilities in the western area by 20 August 2023, and will cooperate with the Local Government to complete the transfer of the project. Subsequently, the Local Government will engage SGLD as an agent of the primary land development project in the eastern area to be in charge for the construction and management of the development project and receive certain amount of management fee.

For the financing aspect, since the 3-year non-rated RMB bonds issued by the Group in the first half of 2015 expired in the second half of 2018, the Company, as a platform for overseas listing of CDBC, has cooperated with CCB (Asia) to obtain an equivalent of USD100 million and HKD1,524 million syndicated facility for a term of three years in order to guarantee the timely repayment of the principal of matured bonds and meet the needs of the investment and operation of the Company's projects. With the continuous growth of the Company's fixed income in urbanization portfolio, it has provided stable cash flow and will provide strong support for repaying syndicated facility in the future.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, there were 140 (2017: 140) employees in the Group. During the Year, the total staff cost including Directors' remuneration amounted to approximately RMB64,092 thousand (2017: RMB63,072 thousand). Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staffs based on their performance and contributions to the Group. The Company has adopted a share option scheme for the grant of share options to eligible participants. The Group also provide and arrange on-the-job training for the employees.

OUTLOOK

Looking ahead to 2019, the economy is still full of challenges. The Company will continue to make steady progress despite challenges, carefully allocate investments and explore its own business transformation strategy. It will adhere to the implementation of national policies and make full use of the synergy of projects and network resources with CDB and CDBC. It will further explore opportunities and resources of the downstream sector in the principal business. The Company will continue to enhance core competitiveness of its brand and maintain core value for shareholders in the long run. It will further develop and explore opportunities and achieve stable results despite challenges.

Corporate Governance Report

The board of directors and management of China New Town Development Company Limited (the "Company" and the "Board", respectively) are committed to maintaining a high standard of corporate governance principles and practices so as to promote corporate transparency and accountability. Good corporate governance is an integral element of a sound corporation to protect and enhance shareholders' value.

The Board has reviewed its corporate governance practices and confirmed that the Company had complied with all principles and guidelines set out in the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEx" and the "Listing Rules", respectively) throughout the financial year ended 31 December 2018 (the "Financial Year") except for code provision E.1.2 of the CG Code that the chairman of the Board (the "Chairman") should attend the annual general meeting. However, Mr. Wei Wei ("Mr. Wei"), the Chairman who resigned on 23 June 2018, was unable to attend the annual general meeting of the Company held on 22 June 2018 (the "2018 AGM") due to other business engagements. In the absence of the Chairman, Mr. Liu Heqiang, an executive Director and the chief executive officer of the Company, took the chair of the 2018 AGM in accordance with the articles of association of the Company to ensure effective communication with its shareholders.

BOARD MATTERS

The Board

The Board has the overall responsibility for the proper conduct of the Company's businesses. The Board's primary role is to provide entrepreneurial leadership, set strategic goal and ensure that the necessary financial and human resources are in place for the Company and its subsidiaries (collectively the "Group") to meet its objectives as well as to protect and enhance long-term values for the shareholders of the Company (the "Shareholders"). It sets the overall strategy for the Group and reviews management performance. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including establishing a framework of prudent and effective controls, setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Three (3) board committees established by the Board include the audit committee (the "AC"), the nomination committee (the "NC") and the remuneration committee (the "RC") (collectively the "Board Committees") and they assist the Board in discharging its duties. The effectiveness of each Board Committee is also constantly monitored.

The Board meets at least four times a year at approximately quarterly intervals for review of the financial performance and results of each period, material investments and other significant matters of the Group. The articles of association of the Company (the "AoA") provides for the convening of the Board or Board Committee meetings by way of telephonic or similar communications.

The attendance records of the directors of the Company (the "Directors") at the meetings of the Board, the Board Committees and annual general meeting (the "AGM") during the Financial Year are set out below:

	Attendance/Number of Meetings (during director's tenure)				
Name of Directors	**Board Meeting**	**AC**	**NC**	**RC**	**AGM**
Executive Directors					
Liu Heqiang	4/4	—	—	—	1/1
Yang Meiyu	4/4	—	—	—	1/1
Ren Xiaowei	4/4	—	—	—	1/1
Shi Janson Bing	4/4	—	—	—	1/1
Non-executive Directors					
Li Huachang (appointed with effect from 23 June 2018 and resigned with effect from 21 March 2019)*	0/2	—	—	—	—
Wei Wei (resigned with effect from 23 June 2018)*	0/2	—	—	—	0/1
Zuo Kun*	0/4	—	—	—	0/1
Li Yao Min	4/4	—	—	—	1/1
Xie Zhen (resigned with effect from 21 March 2019)	2/4	—	—	—	1/1
Independent Non-executive Directors					
Henry Tan Song Kok (Lead)	4/4	3/3	2/2	2/2	1/1
Kong Siu Chee	4/4	—	2/2	2/2	1/1
Zhang Hao	4/4	3/3	—	—	1/1
E Hock Yap	4/4	3/3	2/2	2/2	1/1

* unable to attend the meetings due to other business engagements.

Delegation by the Board

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, release of the Group's interim and annual results, connected transactions of a material nature, declaration of interim dividends and recommendation of final dividends.

All other matters are delegated to the Board Committees whose actions are reported to and monitored by the Board while the daily operations are delegated to the executive management and carried out under the supervision of the chief executives. All management and staff have defined roles and responsibilities and are subject to the Code of Conduct as set out in the Employee Manual which imposes on them specific obligations to our business.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") and written guidelines with more onerous requirements than the Model Code for securities transactions by employees of the Company (the "Securities Code"), and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Chairman, Vice Chairmen and Chief Executive Officer

Following the resignation of Mr. Wei Wei as a NED and the chairman of the Board (the "Chairman") with effect from 23 June 2018, Mr. Li Huachang was appointed as a NED and the Chairman on the same day. He is responsible for ensuring the effectiveness of Board matters, including the formulation, development and reassessment of the Group's strategies and policies. Mr. Zuo Kun and Mr. Li Yao Min are the vice chairmen of the Board (the "Vice Chairmen"). Mr. Zuo is responsible for the duties of the Chairman in the absence of the latter and the execution of the Group's business strategies and plans; while Mr. Li is responsible for advising on the development of the Group. In addition, Mr. Liu Heqiang is the chief executive officer of the Company (the "CEO") and is responsible for overseeing the development of each new town projects and operations of the Company as a whole.

All major decisions made by the Chairman, Vice Chairmen and the CEO are reviewed by the Board. As Chairman is not an INED, Mr. Henry Tan Song Kok was appointed as the Lead INED who will be available to Shareholders when they have concerns and when the contact through normal channels has failed to resolve or for which such contact is inappropriate.

Board Composition and Balance

As at 31 December 2018, the Board comprised twelve (12) members: four (4) EDs, four (4) NEDs and four (4) INEDs. The Board is able to exercise an independent judgment on corporate affairs and provide management with a diverse and objective perspective on issues and no individual or small group could dominate the Board's decision making. There is no alternate Director appointed in the Board.

A list of the Directors and the positions held by each Director is set out in the Profiles of Directors and Senior Management on pages 16 to 20 of this Annual Report. The INEDs are expressly identified in all corporate communications pursuant to the Listing Rules.

There was no financial, business, family or other material relationship among the Directors.

During the Financial Year, the Board met the requirements of having INEDs representing at least one-third of the Board, i.e. four INEDs and exceeded the requirement of having at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise being appointed under the CG Code.

The criterion of independence is based on the definition given in the CG Code and Rule 3.13 of the Listing Rules. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers who can interfere, or be reasonably perceived to interfere, with the exercise of independent judgment of the conduct of the Group's affairs by the Director.

The composition of the Board is determined in accordance with the following principles:

- the Board should comprise a sufficient number of Directors to fulfill its responsibilities and act as a group to provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge (the number of Directors may be increased where it is considered that additional expertise is required in specific areas, or when an outstanding candidate is identified); and

- the Board should have enough Directors to serve on various committees of the Board without over-burdening the Directors or making them difficult to fully discharge their duties.

The INEDs exercise no management functions in the Company or any of its subsidiaries. Although every Director has equal responsibility for the performance of the Group, the role of the INEDs is particularly important in reviewing and monitoring the performance of executive management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the executive management are fully discussed and rigorously examined taking into account the long-term interests, not only of the Shareholders but also of the employees, customers, suppliers and many communities in which the Group conducts businesses. The INEDs also meet regularly without management present. The Board considers its INEDs to be of sufficient caliber and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The INEDs have no financial or contractual interests in the Group other than by way of their fees and shareholdings as set out in the Report of the Directors.

The Board is of the view that its current composition of twelve (12) Directors is appropriate taking into account the scope and nature of the operations of the Company and of the Group.

Insurance cover in respect of legal proceedings and other claims against the Directors arising from their offices and execution of their powers, duties and responsibilities has been arranged. During the Financial Year, no legal action was made against any of the Directors in relation to their duties performed for the Company.

Induction and Training of Directors

Upon appointment, each Director receives appropriate induction training and coaching to develop individual skills as required. The Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings. They also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of business operations and governance practices.

The Directors have confirmed that they had complied with code provision A.6.5 of the CG Code on Directors' training. During the Financial Year, all the Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills and provided their records of training to the Company.

Name of Directors	**Topics of training covered** Note
Mr. Li Huachang (Chairman and NED)	B, C
Mr. Zuo Kun (Vice Chairman and NED)	B, C
Mr. Li Yao Min (Vice Chairman and NED)	A, B, C
Mr. Liu Heqiang (Chief Executive Officer and ED)	A, B, C
Mr. Xie Zhen (NED)	A, B, C
Ms. Yang Meiyu (ED)	A, B, C
Mr. Ren Xiaowei (ED)	A, B, C
Mr. Shi Janson Bing (ED)	A, B, C
Mr. Henry Tan Song Kok (Lead INED)	A, B, C
Mr. Kong Siu Chee (INED)	A, B, C
Mr. Zhang Hao (INED)	A, B, C
Mr. E Hock Yap (INED)	A, B, C

Notes:
A attending seminar(s) and/or conference on regulations and updates
B reading materials relating to business and operations of the Company, and legal and regulatory updates
C in-house briefing or training of the Company

NOMINATION MATTERS

Board Membership and NC

As at 31 December 2018, the NC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the NC during the Financial Year were as follows:

Mr. E Hock Yap — Chairman
Mr. Kong Siu Chee — Member
Mr. Henry Tan Song Kok — Member

The NC adopted the current terms of reference on 31 March 2017 and its principle functions are to:

1. review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding any proposed changes to complement the Company's strategy;

2. identify, review and assess individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. assess the independence of INEDs, on an annual basis;

4. make recommendations to the Board on the appointment or re-appointment of Directors (including the INEDs) in accordance with the AoA and succession planning for the Directors in particular the Chairman and the CEO;

5. review the Board diversity policy (the "Board Diversity Policy") on a regular basis and recommend revisions, if any, to the Board for consideration and approval; and

6. assess whether or not a Director is able to carry and has adequately carried out his duties as a Director.

The Company has received written annual confirmation of independence from each INED and reviewed the independence of each INED pursuant to the definition provided by the CG Code and the Listing Rules and is of the view that Messrs. Henry Tan Song Kok, Kong Siu Chee, E Hock Yap and Zhang Hao are independent.

Mr. Kong Siu Chee and Mr. Henry Tan Song Kok have served as the INEDs of the Company for more than nine years from their respective dates of first appointment to the Board.

At the annual assessment carried out by the NC and with the concurrence of the Board, it was concluded that the contributions of Mr. Kong and Mr. Tan towards the Board remain objective and independent in expressing their views and in participating in the deliberations and decision making of the Board and Board Committees. The Board holds the view that a Director's independence cannot be determined arbitrarily by reference to a set period of service. The Company has benefited from Mr. Kong and Mr. Tan's service in terms of their knowledge of the Company's businesses and each of them has proven his commitment, experience and competence to effectively provide core competencies and independent advice to the Company. The NC has confirmed that neither Mr. Kong and Mr. Tan nor their respective associates had any business dealings with the Company.

During the Financial Year, NC held two (2) meetings.

The NC has reviewed the training and professional development programs participated by the Directors. The NC has also reviewed each Director's time of involvement in the Company and considered that it is appropriate taking into consideration of the Directors' board representations held in other listed companies and other major appointments or principal commitments as well as assessed the independence of the INEDs and reviewed and made a recommendation on the appointment of Director and re-appointment of retiring Directors. The NC has reviewed the Board Diversity Policy which was adopted by the Board at the Board meeting held on 13 August 2013 for assessing the Board composition. The NC would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The NC would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the NC would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. External recruitment professionals might be engaged to carry out selection process when necessary. The Board, at the Board meeting held on 26 February 2015, accepted the recommendation by the NC that the maximum number of listed company board representations which any Director may hold be eight and all Directors have complied with the Board's resolution.

Appointment, Re-election and Removal of Directors

The procedures and processes of appointment, re-election and removal of Directors are laid down in the AoA. Recommendations for the appointments and re-appointments of Directors and appointments of the members of Board Committees are made by the NC and considered by the Board as a whole. The AoA provides that one-third of the Directors (including NEDs) for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation at each AGM. Each Director should retire at least once every three years. A retiring Director is eligible for re-election by the Shareholders at the AGM. In addition, any Director appointed by the Shareholders or the Board, as the case may be, either to fill a vacancy or as an additional director, shall retire at the next AGM and shall then be eligible for re-election at that meeting.

The dates of initial appointment, last re-election/re-appointment and other board representations of each of the Directors of the current Board members are set out below:

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/chairmanship both present and those held over the preceding three years in other listed company
Zuo Kun (redesignated from a Vice Chairman to the Chairman on 21 March 2019)	28 March 2014	29 April 2016	NED and Chairman	None	None
Li Yao Min	11 January 2007	23 June 2017	NED and Vice Chairman	None	None
Liu Heqiang	28 March 2014	22 June 2018	ED and CEO	None	None
Yang Meiyu	28 March 2014	23 June 2017	ED	None	None
Ren Xiaowei	28 March 2014	22 June 2018	ED	None	None
Wei Dongzheng	21 March 2019	—	NED	None	None
Wang Jiangang	21 March 2019	—	NED	None	None

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/chairmanship both present and those held over the preceding three years in other listed company
Shi Janson Bing	12 August 2016	23 June 2017	ED	None	Executive director of SRE until 12 July 2018
Henry Tan Song Kok	25 September 2007	29 April 2016	Lead INED	Chairman of AC, a member of each of NC and RC	An independent non-executive director of the following companies: • YHI Corporation (S) Pte Limited; • BH Global Corporation Limited; • Yinda Infocomm Limited; and • Raffles Education Corporation Limited until 6 March 2018
Kong Siu Chee	30 November 2006	23 June 2017	INED	Chairman of RC and a member of NC	An independent non-executive director of the following companies: • Harbin Bank Co,. Ltd.; and • Chinney Kin Wing Holdings Limited
Zhang Hao	13 February 2012	23 June 2017	INED	A member of AC	None
E Hock Yap	29 May 2012	22 June 2018	INED	Chairman of NC, a member of each of AC and RC	Executive director of Convoy Global Holdings Limited

Each of the NEDs and INEDs is appointed for a specific term, subject to retirement by rotation once every three years. An appointment letter has been issued to each of the INEDs respectively and its terms are set out in the Report of the Directors.

Pursuant to Articles 86(1) and 86(2) of the AoA, Mr. Zuo Kun, Mr. Henry Tan Song Kok, Ms. Yang Meiyu and Mr. Shi Janson Bing shall retire by rotation as Directors and, being eligible, have offered themselves for re-election at the forthcoming AGM.

Pursuant to Article 85(7) of the AoA, Mr. Wei Dongzheng and Mr. Wang Jiangang shall retire from office and, being eligible, have offered themselves for re-election at the forthcoming AGM.

The NC recommends the re-election of the retiring Directors after assessing their contribution, performance and, where applicable, independence.

Board Performance

The Company believes that the Board's performance is ultimately reflected in the performance of the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care and in the best interests of the Company and its Shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led. The measure of the Board's performance is also tested through its ability to give support to management especially in the times of crisis and to steer the Company in the right direction.

The Board through the delegation of its authority to the NC, has used its best efforts to ensure that the Directors appointed to the Board possess the integrity, background, experience, knowledge and skills relevant to the Company's business and that each Director with his/her special contribution brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC has an annual Board performance evaluation to assess the effectiveness of the Board as a whole and the contribution of individual Directors to the effectiveness of the Board by having the Directors complete a questionnaire. The processes identify weaker areas where improvements can be made. The Board and individual Directors can thus direct more effort in those areas to further enhance the effectiveness of the Board.

Access to Information

Annual meeting schedules and agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least fourteen (14) days before the meetings. For ad-hoc Board and Board Committee meetings, reasonable notice period is provided.

Meeting materials together with all appropriate, complete, relevant and reliable information are sent to all Directors at least 3 days before each Board meeting or Board Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company as well as ongoing reports and to enable them to make informed decisions.

All Directors have unrestricted access to the Company's records and information and received detailed financial and operational reports from senior management during the Financial Year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult other employees and seek additional information on request.

All Directors have separate and independent access to the company secretary of the Company (the "Company Secretary"). The duly appointed secretaries administer, attend, prepare and keep minutes of the Board and Board Committee meetings. The Company Secretary also assist the Chairman in ensuring that the Board procedures are followed and reviewed so that the Board functions effectively, and in compliance with the AoA and relevant rules and regulations including requirements of the HKEx. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final versions thereof are open for the Directors' inspection.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole and are considered at a Board meeting.

The AoA contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving the transactions in which such Directors or any of their associates have a material interest.

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

As at 31 December 2018, the RC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the RC during the Financial Year were as follows:

Mr. Kong Siu Chee — Chairman
Mr. Henry Tan Song Kok — Member
Mr. E Hock Yap — Member

The RC adopted the current terms of reference on 31 March 2017 and its principle functions are to:

1. implement and administer any performance incentive schemes of the Company;

2. make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing a policy on such remuneration; and

3. review and determine the specific remuneration packages for all EDs and senior management.

In carrying out their duties, the RC may obtain independent external legal and other professional advice as mentioned above, as it deems necessary, relating to the remuneration policy and in determining the level and mix of remuneration for the Directors and senior management. The expenses of such advice will be borne by the Company.

Level and Mix of Remuneration

The RC makes recommendations to the Board on remuneration packages of the EDs and senior management taking into account the performance of the Group, as well as the pay and employment conditions in the same industry and comparable companies, while aligning the EDs' interests with those of Shareholders and linking rewards to corporate and individual performance.

The INEDs receive directors' fees in accordance with their contributions and taking into account factors such as efforts, time involvement and responsibilities of the INEDs. Directors' fees are subject to approval of the Shareholders at the AGM.

The remuneration of the EDs and senior management comprises a basic salary component and a variable component. The variable component comprises a variable bonus linking to the Company's and individual performance and other variable components including the grant of share options. Details of the remuneration of Directors are set out in the Report of the Directors.

The annual review of the remuneration packages of the Directors is carried out by the RC and recommendation if any is made to the Board with an aim to ensure the remuneration of the EDs and senior management is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. No Director should involve in deciding his/her own remuneration.

During the Financial Year, the RC held two (2) meetings to review and recommend the remuneration of the EDs and the fees payable to the INEDs.

Disclosure on Remuneration

Details of the remuneration of the Directors and top five (5) key executives' of the Group paid or payable for the Financial Year are set out in Note 32 to the Consolidated Financial Statements.

The number of senior management (other than the Directors) whose remuneration fell within the following bands during the Financial Year are as follows:

	2018
RMB1,000,001–RMB1,500,000	2
	2

ACCOUNTABILITY AND AUDIT

Accountability

The Board aims to ensure that the interim and annual financial statements and results announcements of the Company are presented in a manner which provides a balanced and understandable assessment of the Group's performance, position and prospects. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Financial Year.

The financial statements for the Financial Year have been prepared in accordance with the International Financial Reporting Standards and give a true and fair view of the state of affairs including the operations and finances of the Group and of the Company and effective risk management and sound internal control systems are in place. The Board has received assurance confirming the same from the CEO and financial controller of the Company (the "Financial Controller"). It seeks to present a balanced and informed assessment of the Company's performance, position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Risk Management and Internal Control

The Board is responsible for the effectiveness of the overall risk management and internal control of the Group. The Board is fully aware that effective risk management and internal control play a crucial role in the sound operation of the enterprise. It believes that strengthening internal control is an important way to promote the reform of enterprise's management, achieve strong foundation, enhance efficiency and prevent risks. It is also an important measure to ensure the realization of the strategic objectives of the enterprise. Meanwhile, the Board is responsible for evaluating the nature and extent of risks the Group is willing to take in order to achieve strategic objectives, and is committed to the implementation of risk management procedures and the improvement of risk assessment framework.

Under the supervision and leadership of the Board, the management regularly reviews the Group's business and operation activities, identifies potential risks, evaluates the impact of risks under risk characteristics corresponding to different risks, and adopts timely and reasonable measures to control and mitigate such risks to ensure the effectiveness of risk management and internal control system. The Management and PricewaterhouseCoopers, the internal auditor, have reviewed all major control policies and procedures and will present all major potential issues to the Board and the AC.

The Board has continuously supervised the design, implementation and supervision of risk management and internal control system of the management, and assumed ultimate responsibility for the overall risk management and internal control system of the Group. Meanwhile, the Board reviews the adequacy and completeness of the risk management and internal control system of the Group and its subsidiaries every year, including all important control aspects such as finance control, operation control and compliance control. The Board also annually reviews the Company's resources, staff qualifications and competence in accounting, internal audit and financial reporting functions, as well as the adequacy of training courses and related budgets that are received by relevant staff. In addition, the Board annually reviews the change in nature and severity of major risks, the scope of work in relation to continuous monitoring of risks and internal control system by the management, and major monitoring errors or weaknesses occurred during the period.

The AC has been set up under the Board to review the Group's risk management and internal control system so as to ensure that such system is sound and adequate, and to protect the shareholders' investment and the integrity, effectiveness and efficiency of the Company's assets. Internal audit of the enterprise is an important part of internal control and plays an important role in improving risk management and enhancing the value of enterprise. The Group has established an internal audit function under the management to guide, coordinate and supervise the implementation of internal control compliance by the Company and its subsidiaries. Internal audit function is responsible for ex-ante prevention, in-event coordination and planning, and ex-post supervision of risk management and internal control compliance. The Board also engaged an external institution to carry out the Group's internal control inspection in which main focus is placed on the internal control requirements by HKEx. The Group has improved risk management and internal control system to form an internal control inspection report and supervised and assisted the management to rectify the issues identified in time. In addition, external institution also update the comprehensive risk management manual annually to ensure the standardization and compliance of the construction of the Company's comprehensive risk management system.

The internal control system provides a reasonable (not absolute) assurance for the Group to achieve its business objectives and ensures that the Group will not be adversely affected by any reasonably predictable event in its pursuit of business objectives. However, the Board also notes the inherent limitations of internal control, and that no internal control system can provide absolute assurance in this regard, or provide absolute assurance towards major errors, misjudgement in decision-making, human mistakes, losses, frauds or other non-compliant matters. The Board believes that there is still room for further improvement in the current risk management and internal control system. The management has pushed forwards its development and controlled risks as its main objective under internal and external changing environment and other comprehensive factors, and constantly strengthened the rationality, effectiveness and integrity of risk management and internal control system in order to protect Shareholders' interests and safeguard the Company's assets and achieve strategic objectives.

As of 31 December 2018, according to the internal control system and enterprise's risk management framework established and maintained by the Group, and referring to the work of internal auditors and management reviews, the Board and the AC believed that the Group's internal control system and the risk management system are fully effective in coping with financial, operational, compliance and information technology risks. The Board has received written confirmations from the CEO and the CFO that the financial records are duly deposited and that the Company's financial statements are true and fair presentation of the Company's operation and financial conditions. The CEO and the CFO's confirmation also includes the effectiveness of the Company's risk management and internal control systems.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad and non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the EDs, the Company Secretary and investor relations officers are authorised to communicate with parties outside the Group.

Audit Committee

As at 31 December 2018, the AC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the AC during the Financial Year were as follows:

Mr. Henry Tan Song Kok — Chairman
Mr. Zhang Hao — Member
Mr. E Hock Yap — Member

Mr. Henry Tan Song Kok possesses accounting and related financial management expertise and experience. The Board considers that Mr. Zhang Hao and Mr. E Hock Yap has sufficient financial knowledge and experience to discharge his responsibilities as a member of the AC.

The AC adopted the current new terms of reference on 31 March 2017 and its principal functions are to:

(a) review the financial reporting process, management of financial risks and the audit process;

(b) review the audit plans and results of the external auditors' examination and evaluation of the Group's systems of internal accounting control and any matters which the external auditors wish to discuss (in the absence of management, where necessary);

(c) review the scope and results of the internal audit procedures;

(d) review the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board and the external auditors' report on those financial statements;

(e) review the interim and annual announcements on the results and financial position of the Company and of the Group;

(f) review the co-operation and assistance given by the management to the Group's external auditors;

(g) evaluate the cost effectiveness, independence and objectivity of the external auditors of the Company and the nature and extent of the non-audit services provided by them;

(h) make recommendations to the Board on the appointment, re-appointment and remuneration of the external auditors of the Company;

(i) evaluate the adequacy and adherence of the risk management and internal control systems including administrative, operating and internal accounting control of the Group; and

(j) review connected transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its Shareholders.

The AC is authorised to investigate any matter within its terms of reference, and has full access to the management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any Director or executive management to attend its meetings. The AC meets with the internal auditors and the external auditors separately, at least twice a year, without the presence of management, to discuss the reasonableness of the financial reporting process, to monitor and review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors.

During the Financial Year, the AC held three (3) meetings to, among others, review the scope and quality of audit by the Company's independent auditor, Ernst & Young ("EY"), the independence and objectivity of EY as well as the cost effectiveness of its audit. The AC also reviewed the service fee to EY. The details of annual audit fee and other assurance service fees to EY for the financial years ended 31 December 2017 and 2018 are set out below:

RMB'000	**2018**	2017
Annual audit fee	**3,500**	3,000
Other assurance service fee	**360**	800
Total	**3,860**	3,800

Through AC, the Company has an appropriate and transparent relationship with EY. In the course of audit of the Group's financial statements, EY has highlighted to the AC matters that require the AC's attention. EY is invited to attend meetings of the AC for the purposes of presenting their audit plan and report as well as their comments on the audited financial statements.

The Company's annual results for the Financial Year have been reviewed by the AC.

EY's audit opinion on the consolidated financial statements of the Group for the Financial Year is set out in the "Independent Auditor's Report" on pages 67 to 72 of this Annual Report.

The AC is satisfied that EY is able to meet the audit obligations of the Company and has recommended to the Board the re-appointment of EY as the Company's independent auditor for the year ending 31 December 2019 subject to the approval of the Shareholders at the forthcoming AGM.

The Group has appointed different independent auditors for its subsidiaries in the People's Republic of China (the "PRC") in order to meet its local statutory regulations. The Board and the AC are satisfied that the appointment does not compromise the standard and effectiveness of the audit of the Company. The AC members takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on the financial statements through attendance at training and update on recent developments to accounting standards provided by professionals.

Whistle Blowing Policy

The Company has adopted a whistle blowing policy which provides a channel for employees to report serious concerns relating to financial reporting and unethical or illegal conduct.

Throughout the Financial Year, no whistle blowing report was received.

Internal Audit

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding Shareholders' investment and the Group's assets, the AC has also appointed an internal audit function team to enhance the internal controls of the Group. The internal audit function team reports to the chairman of the AC on any material weakness and risks identified in the course of the internal audit are also communicated to the management. The management will accordingly update the AC the status of the remedial action plans.

The AC reviews and approves the annual internal audit plans and reviews the scope and the results of the internal audit according to the procedures issued by the internal audit function team.

COMPANY SECRETARY

Pursuant to the code provision F.1.1 of the CG Code, Mr. Kwok Siu Man ("Mr. Kwok") of Boardroom Corporate Services (HK) Limited, the external service provider, was appointed as the Company Secretary with effect from 12 August 2016. During his engagement period, he reports to the Board and maintains contacts with the CEO, Mr. Liu Heqiang.

As Mr. Kwok was first appointed as the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the HKEx at a substantial amount of time since then, he was not required to have at least 15 hours of relevant continuous professional development training under the Listing Rules for each of the five consecutive years from 2012. Mr. Kwok had received no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the Financial Year.

COMMUNICATION WITH SHAREHOLDERS

The Group acknowledges the importance of timely and equal dissemination of material information to the Shareholders, investors and public at large. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable.

The AGM remains the principal forum for dialogue with Shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed at the AGM and the operations of the Group.

The Company has conducted roadshows regularly in Hong Kong and the PRC for business update and actively arrange for communications with Shareholders/investors in the light of specific progress of various projects in Hong Kong and other regions and areas. The Company strived to enable a comprehensive exchange of opinions and mutual understanding between Shareholders/investors.

The AoA allows a member of the Company (the "Member") entitled to attend and vote at the meeting of the Company to appoint one or more proxies to attend and vote on behalf of him/her and also provides that a proxy need not be a Member. Voting in absentia by facsimile or email is not currently permitted to ensure proper authentication of the identity of Shareholders and their voting intentions.

The chairmen of the AC, RC and NC are usually available at the AGM to answer any questions from the Shareholders relating to the work of these Board Committees. The Company's independent auditor is invited to attend the AGM and will assist the Directors in addressing queries from the Shareholders relating to the conduct of the audit and the preparation and content of the independent auditor's report.

During the Financial Year, notice of at least 20 clear business days was given to the Shareholders for the 2018 AGM. Sufficient notice was given in accordance with the AoA, the laws of British Virgin Islands in which the Company is incorporated, and the CG Code.

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantial issue at Shareholders' meetings, including the election of individual Director. All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be published on the respective websites of the Company and HKEx after each Shareholder's meeting.

Minutes of general meetings include substantial and relevant queries or comments from the Shareholders relating to the agenda of meeting and responses from the Board and management. These minutes would be available to the Shareholders upon their request.

The Company organises briefings and meetings with analysts and fund managers regularly to provide them with a better understanding of its businesses. In addition, the Company appointed Strategic Financial Relations Limited as its investor relations consultant to promote investor awareness for the Company.

The Group maintains a corporate website at www.china-newtown.com which contains the Company's publicly disclosed financial information, annual reports, interim reports, news releases, announcements and corporate developments.

Shareholders and potential investors are welcome to communicate with the Company or put forward enquiries to the Board by any of the following ways:

Email	: ir@china-newtown.com
Contact Number	: +852 3643 0200
Fax Number	: +852 3144 9663
Address	: 8203B-04A, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Policy on Payment of Dividends

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

- the AoA;
- the applicable restrictions and requirements under the laws of the British Virgins Islands;
- the availability of dividends received from the subsidiaries in the PRC;
- earnings and financial performance;
- operating requirements; and
- capital commitments.

The Board will review the dividend policy from time to time and reserve its right in its sole and absolute to update, amend, modify and/or cancel the dividend policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

SHAREHOLDERS' RIGHTS TO CONVENE AND PUT FORWARD PROPOSALS AT EXTRAORDINARY GENERAL MEETING ("THE EGM")

Pursuant to the AoA, EGMs may be convened by the Board on requisition in writing of the Shareholders holding not less than one-twentieth of the total voting rights of the matter for which the meeting is being requested. The written requisition shall be made to the Board or the Company Secretary at the business address or registered office address which are set out in the Corporate Information of this Annual Report, to request an EGM to be called by the Board for the transaction of any business 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 requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMPLIANCE WITH MODEL CODE AND SECURITIES TRADING

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. The Directors have confirmed, following specific enquiries by the Company that they had complied with the Model Code throughout the Financial Year.

The Company has also established the Securities Code for its employees who are likely to be in possession of unpublished price-sensitive information of the Company. It prohibits the Directors and employees from dealing in the Company's shares on short-term considerations and during the period commencing 30 days before the publication of the Company's financial results for each of the first six months of the financial year and 60 days before the publication of the Company's full year financial results (or, if shorter, the period from the end of the relevant financial period or year up to the publication date of the results).

No incident of non-compliance of the Securities Code by the employees was noted by the Company.

CONSTITUTIONAL DOCUMENTS

At the annual general meeting of the Company held on 22 June 2018, the amendments to the AoA were made and approved by the Shareholders. The updated version of the AoA is available on the respective websites of the Stock Exchange and the Company.

MATERIAL CONTRACTS

Save as the service agreements between the Directors and the Company, there were no material contracts entered by the Company or its subsidiaries involving the interests of the CEO, any Director or controlling shareholders subsisting during the Financial Year or at the end of the Financial Year.

CONCLUSION

The Company recognizes the importance of good corporate governance practices for maintaining and promoting investor confidence. The Board will continue to review and improve its corporate governance practices on an ongoing basis.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Being committed to the long-term sustainability of its businesses and the communities with which it engages, China New Town Development Company Limited ("CNTD" or the "Company", together with its subsidiaries, collectively as the "Group") is pleased to publish the third Environmental, Social and Governance ("ESG") Report. This ESG Report continues to demonstrate the Group's efforts and performances in sustainability between 1 January 2018 and 31 December 2018 (the "reporting period"), addressing stakeholders' interest in its environmental and social impacts.

The report is available in both Chinese and English at the websites of CNTD and the Stock Exchange of Hong Kong Limited ("SEHK").

Reporting Scope and Boundary

This report focuses on the Group's businesses of urbanization and land development located in Hong Kong and the Chinese Mainland. The table below lists the operational boundaries that are included in this report.

Offices	• China New Town Holding Co., Ltd. ("CNT Holding")	• CDBC Nanjing Investment Development Co., Ltd. ("CDBC Nanjing")
	• Beijing Guowan Real Estate Co., Ltd. ("Guowan")	• CDBC New Town (Changchun) Construction and Development Co., Ltd. ("CDBC Changchun")
	• CDBC Agricultural Investment Management Co., Ltd. ("CDBC Agricultural")	• Shenyang Lixiang New Town Modern Agriculture Co., Ltd. ("Shenyang Lixiang")
Projects in Development	• Shanghai Luodian Project[1]	• Wuhan Project[2]

While this report does not cover some of our operations in China, our agenda is to extend the scope of the report in future.

Reporting Standard

This report is prepared in accordance with the Appendix 27, the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") issued by the SEHK. The four reporting principles, namely materiality, quantitative, balance and consistency, form the backbone of this report. To ensure the accuracy of environmental KPIs, CNDT has commissioned a professional consultancy, Carbon Care Asia ("CCA"), to conduct carbon assessment according to the established guidelines[3].

Confirmation and Approval

The Group has established internal controls and a formal review process to ensure that any information presented in this report is accurate and reliable. The report has been confirmed and approved by the board of directors of the Group on 21 March 2019.

1 The project is managed by the Group's subsidiary Shanghai Golden Luodian Development Co., Ltd. ("SGLD").

2 The project is managed by Lenovo Mobile Communication Software (Wuhan) Co., Ltd..

3 These include the Guidelines for Accounting and Reporting Greenhouse Gas Emissions in China Public Building Operation Units (Enterprises) (Trial) released by National Development and Reform Commission of the People's Republic of China, the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong prepared by the Environmental Protection Department and the Electrical and Mechanical Services Department of Hong Kong, as well as international standards such as ISO 14064-1 and GHG Protocol.

Feedback

The Group values feedback on this report, its approach to sustainability and performance. Stakeholders are welcome to share their views via the following feedback channels:

Email: ir@china-newtown.com
Fax: (852) 3144 9663
Mailing address: 8203B-04A International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

MANAGEMENT STATEMENT

Currently half of global population, equal to 3.5 billion people, live in cities, and this urban population figure is projected to grow into 5 billion people by 2030. As a business focusing on urbanization development, CNTD dedicates to building inclusive, safe, and resilient cities and communities, advancing the Sustainability Development Goal set out by the United Nations, and preparing communities to adapt to challenges posed by climate change. We seek to achieve this by pursuing better social and environmental performances in operations.

Stakeholder engagement is vital to the Group's sustainability. It supports the Group's understanding of emerging risks and opportunities and helps it identify the key environmental, social and governance issues. This report serves as one of the many platforms for the Group to actively engage its internal and external stakeholders.

On its path towards sustainability, the Group focuses on three main aspects, namely the environment, society and employees. Adopting a long term strategy of innovation and capability building, it seeks to develop a green culture, strengthen its competitiveness and share the fruits of urban development with all stakeholders.

In future, the Group will formulate carbon reduction targets for all its subsidiaries to better manage its environmental footprint. To improve the wellbeing of the community, it will focus its resources on various charitable causes to address social needs.

The Group's activities are inextricably linked to the livelihood of the people and sustainability of the country as a whole. By embracing a holistic approach in town planning, the Group will continue to contribute to the new towns of China and help society achieve a sustainable mode of development in the long run.

Liu Heqiang
Executive Director and Chief Executive Officer
China New Town Development Company Limited

SUSTAINABILITY GOVERNANCE

Sustainability forms a core business philosophy of the Group. The Board has the ultimate responsibility for overseeing the Group's policies, initiatives and performance on sustainability matters. Recognizing the benefit of a well-structured governance body, the Group is planning to establish an ESG committee to further develop ESG strategy, goals and commitments.

Risk Management

CNTD considers risk management as an integral part of daily management and sound corporate governance. Systematic risk management practices are the means to ensure that the Group achieves its business objectives and will not be adversely affected by any reasonably predictable event in its pursuit of business objectives.

An internal control system has been instituted in the Group to strengthen the resilience of its business. The Board has overall responsibilities for the Group's risk management and internal control systems to safeguard the interests of the Company and its shareholders as a whole. To this end, the Board oversees and approves the Group's risk management and internal control strategies and policies, which aim at evaluating and determining the nature and extent of the risks that are compatible with the Group's strategic directions. The main purpose is to provide reasonable assurance against material misstatement or loss. The Audit Committee provides internal audit function established under the management team with directions and tools for risk identification, analysis and management.

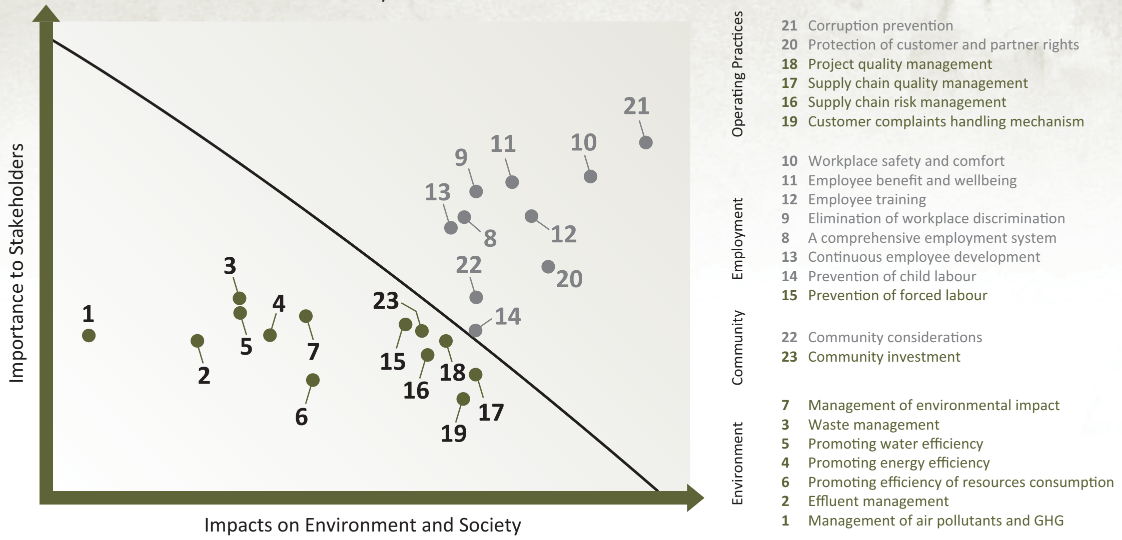
As part of the system, it is the priority of the management team to identify and analyse risks, including regulatory and emerging risks underlying the Group's environmental and social performance. Looking ahead, the Group will enforce ESG risk management as an on-going process to evaluate imminent sustainability risks, enabling us to work out action plans in a timely manner.

STAKEHOLDER ENGAGEMENT

The Group maintains continuous dialogue with key internal and external stakeholders, including employees, shareholders, investors, banks, business partners, suppliers, clients and local community, via various channels such as meetings, seminars and site visits. Their feedback and suggestions are reviewed regularly by the Group to identify and prioritise any emerging ESG risks, and devise future action plans to turn risks into opportunities.

To pinpoint the most significant environmental and social issues, the Group commissioned an independent consultancy to conduct a materiality assessment. Through management interview and questionnaire survey, both qualitative and quantitative information were collected in a rigorous assessment process, concerning stakeholders' views on the relative materiality of various ESG issues. In preparation of the questionnaire survey, 23 sustainability issues relevant to the Group and its stakeholders were identified. Key stakeholders were then selected based on their influence and interdependence with the Group, who were invited to participate in the survey to rate 23 issues according to the importance of the issues to them and CNTD's impact to the environment and society. Subsequently, 10 issues (as shown in the graph below above the curve) were identified as of material concerns to stakeholders, on which the Group focuses to address in this report.

CNTD's Materiality Matrix 2018



To better align with the stakeholders' expectations, the Group will refine its sustainability policies and measures regarding the material issues. The Group will also maintain transparency, integrity, accuracy and responsiveness across all communication channels. Through these channels, the Group will continue to strengthen stakeholder engagement and collect viewpoints from a more diverse range of stakeholders in future.

OPERATING PRACTICES

CNTD recognises the responsibilities to protect its clients' rights and promote clean business. This provide foundations for the Group's operating practices.

Anti-corruption

The Group regards honesty, ethics and fair play as its core values. It prohibits any form of bribery, extortion, fraud or money laundering. The Group's Measures for Employee Discipline and Code of Conduct Management (員工紀律與行為規範管理辦法) states that employees are not allowed: i) to request for or accept gifts in business activities, ii) to use the inside information for personal advantage or the personal advantage of others, iii) to steal public funds, or iv) to engage in any activities which might exploit their positions against the Group's interests and affect their business decision or independent judgment in the course of business operations. Employees shall turn over the legal rebates and commissions they received as operating expenses or offsetting costs.

Reflecting prudent and transparent company management practices, the Group encourages employees to raise complaints about misconducts to the Discipline Inspection Department, and it advocates a confidentiality mechanism to protect the whistle-blowers. The Discipline Inspection Department is responsible for investigating the reported suspicious activities. In addition, Guidelines on Discipline Inspection and Supervision Work (紀檢監察工作準則) are established to regulate the assessment of the accountability system, internal control enforcement and approval process management.

The Group complies with the laws and regulations, including but not limited to Prevention of Bribery Ordinance in Hong Kong, The Criminal Law of the People's Republic of China and Anti-Money Laundering Law of the People's Republic of China. During the reporting period, there were no cases of non-compliance or legal cases in relation to corruption.

Supply Chain Management

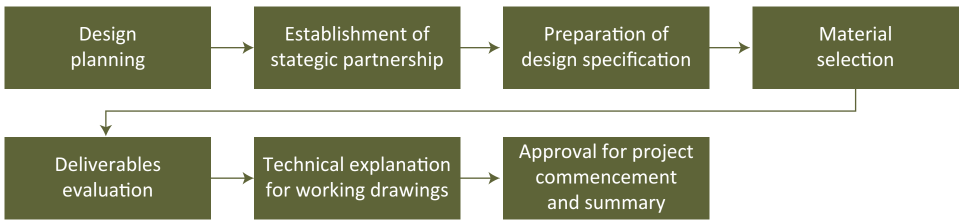
The Group endeavours to maintain and develop long-term strategic and co-operative relationships with suppliers who provide high-quality products and are committed to taking up their social responsibility. It establishes a supplier management system in the Measures for Project Procurement Management (工程採購管理辦法). The procurement team should assess suppliers given their business qualifications, professional qualifications, financial status, technical capabilities, and reputation. Suppliers who meet the standards and specifications required by the Group are included into the qualified supplier inventory and get priority in the tendering process. CNTD regularly review its qualified supplier inventory, including evaluating suppliers' performance, level of cooperation, and changes in economic and technical capabilities. Suppliers who fail to pass the evaluation can be removed from the inventory.

In future, the Group is considering to assess suppliers' environmental capabilities in the pre-qualification and tender process.

Product Responsibility

As a developer, the Group is committed to providing reliable and safe products and services to safeguard the interests of customers. The Group has established guidelines on product design management, engineering quality management, and information confidentiality, for functional departments to adopt during project implementation.

In line with Measures for Product Design Management (產品設計管理辦法) in place, the Engineering Department and project companies ensure clear assignment of responsibility and authorities, as well as quality and progress of every development project in the design phase.



Measures for Engineering Management (工程管理辦法) have also been formulated for project companies to compile the Project Quality Management Plan with clear targets and action plan. Assessment standards of quality management are established by the Group's Engineering Department, which coordinates the expert review on major quality issues to find out resolutions, and conducts inspections on a regular basis. On-site inspections are carried out to evaluate the quality, progress, and safety of construction projects.

All CNTD employees are required to protect the confidentiality of business information, including data about clients and intellectual property rights of the Group's external partners. Guidelines on the production, transmission, use, copying, excerpting, preservation and destruction of confidential information and documents are included in the Measures for Confidentiality Management (保密工作管理辦法).

Due to its business nature, the Group has not identified material concerns in its operations regarding advertising and labelling.

The Group abides by laws and regulations, including but not limited to Personal Data (Privacy) Ordinance in Hong Kong, Construction Law of The People's Republic of China and Regulation on the Quality Management of Construction Projects, During the reporting period, there were no cases of non-compliance with laws and regulations related to product and service responsibility.

EMPLOYMENT AND LABOUR PRACTICES

As a caring and responsible employer, the Group is committed to constructing an inclusive and safe workplace, cultivating a healthy working culture, and investing in securing and nurturing talents.

Occupational Health and Safety

To provide and maintain a safe and healthy working environment, the Group has formulated Measures on Security and Emergency Management (安全保衛和應急管理辦法), and Measures on Safety in Construction Management (安全文明施工管理辦法). For employees working in offices, the Group focuses on raising the awareness of work safety. The safety policies of CDBC Changchun stipulates that safety and fire prevention education shall be carried out frequently.

Relative to operations in offices, the occupational health and safety risks are higher on the construction sites. Daily inspections of safe and civilized production on sites are therefore conducted by safety officers of construction and supervision organizations. Furthermore, the Group protects the occupational safety of its contracted workers, with periodic safety audits and assessments, as well as proactive communication of potential hazards and rectification requirements.

Work-related fatality/injury rate
0%

During the reporting period, the Group complied with laws and regulations, including but not limited to Occupational Safety and Health Ordinance, Employees' Compensation Ordinance in Hong Kong, and Production Safety Laws of the People's Republic of China. There were no cases of non-compliance with laws and regulations related to health and safety.

Employment System

The Group values employees as the key for driving success and maintaining sustainability. Policies on employment system, including recruitment and dismissal, remuneration and bonus, working hours and rest days, leaves and benefits, and appraisal and promotion are communicated through human resource management system.

The Group upholds the principles of equal opportunities and non-discrimination in recruiting and promoting process. To ensure fair reward for hard work and contribution, employee remuneration is regularly evaluated and adjusted based on performance appraisals.

Employee Profile[4]

Total workforce	Workforce ratio by gender
• 122 employees	• 1.54:1 (male to female)

Employee turnover rate	New employee rate
• 15.65%	• 26.23%

The Group is also committed to people-centric approach. To create an engaging and happy working environment, CNTD offers various communication channels for employees, in addition to a staff grievance mechanism. Furthermore, family-friendly and mother-friendly measures such as leaves for breastfeeding, prenatal examination, and parent meeting are provided to support work-life balance.

4 Figures in relation to employees reported exclude the operations of Guowan and the Wuhan Project.

Training and Development

The Group strives to strengthen employees' work-related skills and knowledge by offering various training and development opportunities. CNTD's Measures for Training Management (培訓管理辦法) enable employees to obtain internal training opportunities and sponsorship for external programmes and professional examinations. The annual training plan is organised into three aspects, which are key topics identified by the management, needs reported by subsidies and departments, and recommendations from external experts and clients.

During the reporting period, Shenyang Lixiang arranges training courses covering a wide spectrum of topics such as understanding rights and responsibility, accounting practices, and analysis of investment strategies for real estate, to support the personal and professional development of employees in different functional departments. The Group was honored to receive the HR Award from Liepin.com (獵聘HR風尚獎) in recognition of its continuous efforts in employee development in the reporting period.

Labour Standards

The Group is committed to safeguarding labour rights and interests. To combat illegal employment on child labour, new hires' original personal identification document shall be verified. In case of overtime work, employees are required to submit application to their supervisors for approval in advance, and should be compensated by overtime pay and deferred holidays.

The Group complies with laws and regulations related to employment and labour standards, including but not limited to the Employment Ordinance of Hong Kong, The Labour Contract Law of the People's Republic of China, and The Labour Law of the People's Republic of China. During the reporting period, there were no cases of non-compliance in relation to employment, child labour and forced labour.

PROTECTING THE ENVIRONMENT

The Group is mindful of the major environmental impacts consisting of greenhouse gas ("GHG") emissions, wastewater and waste that are generated from its operations of projects and offices. Dedicated to enhanced performance in environment protection, the Group's Primary Land Development and Operation Guidelines (土地一級開發操作指引) and Measures for Safe in Construction Management specify scale, location and nature of environmental requirements.

GHG Emissions and Energy Consumption

Consistent with the last reporting period, the Group continues to commission CCA to quantify its GHG emissions through carbon assessment. The carbon assessment results are documented in The ESG Performance Summary section at the end of this report. In the reporting period, fossil fuel combustion by mobile vehicles was the largest source of GHG emissions of the Group, followed by electricity consumption, which accounting for 47.1% and 47.0% respectively.

In this regard, a set of energy management processes has been commenced to achieve the low carbon office. CNTD encourages staff to commute with public transportations and if necessary, the use of the official vehicles for business affairs shall be implemented strictly with the registration system.

In order to reduce electricity consumption in offices, the Group replaced conventional light bulbs with LED lights and pre-set office equipment as energy-saving mode. It also recognises the importance of raising employees' awareness and fostering behavioural changes to the continuity of efforts in energy saving.

Air Emissions

The Group takes responsibility in maintaining and improving local air quality. Since most of the the Group's construction works are outsourced, requirements on contractors are implemented to reduce the projects' impacts during the construction phase, such as on air quality from flying dusts. Project companies are required to monitor the contractors through measures such as installing wheel-washing facilities, fences and barriers, to ensure that pollutant emissions do not exceed the national and local standards. The Group also strives to reduce air emissions through the reduction of fuel consumption through initiatives such as purchasing energy-efficient fuels and reducing the use of vehicles.

Water Consumption and Effluent Management

The Group is devoted to conserving limited fresh water resources through several measures. Currently the Group's water consumption is from municipal water suppliers. Water-saving devices are installed on faucets to lower water consumption; maintenance and management of water equipment are monitored to prevent incidents such as bursting of water pipes; notices on water efficiency are posted in prominent places to encourage water conservation. Shenyang Lixiang has been recycling grey water for flushing the toilet.

For the reporting period, the wastewater generated from the Group's operations only included the domestic sewage from daily usage. The Group's wastewater drainage system ensures that all sewage is discharged to the local municipal wastewater treatment plant for further treatment with fully compliance with the Law of the People's Republic of China on the Prevention and Control of Water Pollution.

Resource Consumption and Waste Management

The Group's Measures for Engineering Management requires contractors to adopt procurement practices to ensure all construction materials shall satisfy with local environmental requirements. Moving forward, the Group plans to further promote green procurement practices in offices and give priority to environmentally and socially responsible products.

In the reporting period, the Group generated 4.08 tonnes of non-hazardous waste within the reporting boundary, the majority of which was the domestic waste from office daily operation and the construction waste from the construction process. The construction waste is stored separately from the domestic waste and then transferred to qualified solid waste treatment plant for further treatment. As for the domestic waste, the Group is planning to formulate recycling practices and measures that support the circular economy.

The Group complies with laws and regulations on emissions, including but not limited to the Air Pollution Control Ordinance in Hong Kong, Environmental Protection Law of the People's Republic of China and Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste. In the reporting period, there were no non-compliance cases in relation to emissions reported.

Environmental and Natural Resources

The Group understands that land development and construction impose substantial environmental impacts. Promoting sustainability in the Group's routine businesses is therefore vital. Prior to project implementation, a proposal of primary land development shall be reviewed by different levels of local government and evaluated in expert meetings. In addition, qualified consultants are engaged to conduct environmental assessments to identify measures to avoid, mitigate or compensate for potential impacts of projects on the environment.

INVESTING IN SOCIETY

The Group is dedicated to undertakings of socially responsible initiatives. CNTD fulfils corporate social reasonability by conducting charitable contribution to communities in need. In the reporting period, CNTD's employees had contributed money and in-kind donation (e.g. school supplies) to students in the Peizhi School of Huairou District and the Yanjing Cygnet Charity School in Beijing, which had helped improve the learning environment and enabled more children to have the opportunity to walk into the classroom for studying. Over 30,000 RMB were raised to help the students. In future, the Group will formulate its CSR Policy, continue to refine its community investment projects and make greater contributions to the sustainable development of the community.

ESG PERFORMANCE SUMMARY

Environmental Performance

Air emissions	Hong Kong	Mainland China	Total	Unit
Nitrogen oxides (NOx)	1.71	24.05	25.76	kg
Sulphur oxides (SOx)	0.04	4.60	4.64	kg
Respiratory suspended particles (RSP)	0.13	2.29	2.42	kg

GHG emissions	Hong Kong	Mainland China	Total	Unit
Scope 1 — Direct Emissions[5]	7.5	630.9	638.4	tonnes of CO_2-e
Scope 2 — Energy Indirect Emissions[6]	7.1	590.7	597.8	
Scope 3 — Other Indirect Emissions[7]	6.0	29.1	35.1	
Total GHG emissions	20.6	1,250.7	1,271.3	
GHG emissions intensity (by floor area)			0.01	tonnes of CO_2-e/ square metre

Waste	Hong Kong	Mainland China	Total	Unit
Total non-hazardous waste	0.11	3.97	4.08	tonnes
Non-hazardous waste intensity (by floor area)			0.02	tonnes/'000 square metre
Total hazardous waste[8]		Not applicable		
Hazardous waste intensity (by floor area)			Not applicable	

Direct and/or indirect energy consumption (by type)	Hong Kong[11]	Mainland China	Total	Unit
Petrol	25.6	550.9	576.5	MWh
LNG	Not applicable	200.1	200.1	MWh
Electricity[9]	14.0	926.3	940.3	MWh
Heat[10]	Not applicable	0.04	0.04	MWh
Total energy consumption	39.6	1,677.3	1,716.9	MWh
Energy intensity (by floor area)			0.01	MWh/square metre

5 Scope 1 Direct Emissions include combustions of fuels in motor vehicles and gas cooking stoves.

6 Scope 2 Indirect Emissions include consumptions of purchased electricity and heating.

7 Scope 3 Other Indirect Emissions include waste paper disposal and air travel.

8 No hazardous waste was generated during the reporting period.

9 Electricity consumption from Beijing Guowan office and Beijing Guokai office are not included.

10 Heat consumption includes Changchun office only.

11 Due to the business nature and geographical features, Hong Kong operations do not involve the use of LNG and Heat.

Water	Hong Kong	Mainland China	Total	Unit
Total water consumption[12]	Not available	3,967	3,967	m^3
Water intensity (by floor area)[13]			0.02	m^3/square metre

	Hong Kong	Mainland China	Total	Unit
Total packaging material consumption	Due to the business nature of CNTD, the operations do not involve packaging materials of finished products.			

Social Performance

Total workforce[14]		Employees (by age groups): Below 30	30 to 40	41 to 50	Above 50	Employees (by employment ranks): C-level executives	Senior management	Middle management	General staff	Subtotal (by regions)
Hong Kong	**Male**	0	4	1	0	1	1	2	1	9
	Female	0	4	0	0	0	1	1	2	
Mainland China	**Male**	13	30	21	5	9	11	20	29	113
	Female	14	22	8	0	1	6	7	30	
Subtotal (by gender)	**Male**	74								
	Female	48								
Male to female ratio		1.54:1								
Total number of employees		122								

		Employee turnover Year 2018	New employee Year 2018
Geographical location	Hong Kong	5 (47.62%)	2 (22.22%)
	Mainland China	13 (3.11%)	30 (26.79%)
Gender	Male	8 (11.43%)	16 (21.62%)
	Female	10 (22.22%)	16 (33.33%)
Age	Below 30	3 (13.95%)	14 (51.85%)
	30 to 40	11 (18.80%)	14 (23.33%)
	41 to 50	4 (13.33%)	4 (13.33%)
	Above 50	0 (0)	0 (0)
Total		18 (15.65%)	32 (26.23%)

12 There was no independent water meter installed in Hong Kong office and Shanghai office, and their property management companies are unable to provide statistics. Hence, water consumption from these offices are not included.

13 Water intensity includes Mainland China only.

14 Employees in Guowan and Wuhan Project are not included.

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	49–50
A1.1	The types of emissions and respective emissions data.	51
A1.2	Greenhouse gas emissions in total (tonnes). Intensity of greenhouse gas emissions (tonnes CO2-e/1,000 RMB revenue).	51
A1.3	Total hazardous waste produced (tonnes). Intensity of total hazardous waste produced (tonnes/1,000 RMB revenue).	51
A1.4	Total non-hazardous waste produced (tonnes). Intensity of non-hazardous waste produced (tonnes/1,000 RMB revenue).	51
A1.5	Description of measures to mitigate emissions and results achieved.	49–50
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	50
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	49–50
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh). Direct and/or indirect energy intensity by type (e.g. electricity, gas or oil) (MWh/employee).	51
A2.2	Water consumption in total (tonnes). Water intensity (tonnes/1,000 RMB revenue).	52
A2.3	Description of energy use efficiency initiatives and results achieved.	49
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	50
A2.5	Total packaging material used for finished products (tonnes). Packaging material intensity (tonnes/1,000 RMB revenue).	52
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	50
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	50

Material Aspect	Content	Page Index
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	48
B1.1	Total workforce. Total workforce by gender, employment type, age group and geographical region.	52
B1.2	Employee turnover rate. Employee turnover rate by gender, age group and geographical region.	52
GRI 401–1	Total number of new employee hires. Rate of new employee hires. Total number and rate of new employee hires by gender, age group and geographical region.	52
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	48
B2.1	Number and rate of work-related fatalities.	48
B2.2	Lost days due to work injury.	48
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	48
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	49
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	49
B4.1	Description of measures to review employment practices to avoid child and forced labour.	49
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	47

Material Aspect	Content	Page Index
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	47
B6.3	Description of practices relating to observing and protecting intellectual property rights.	47
B6.4	Description of quality assurance process and recall procedures.	47
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	47
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	46
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	46
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	46
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	50
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	50
B8.2	Resources contributed (e.g. money or time) to the focus area.	50

Report of Directors

The directors of China New Town Development Company Limited (the "Company" and the "Directors", respectively) are pleased to present the annual report of the Company (the "Annual Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2018 (the "Financial Year").

PRINCIPAL ACTIVITIES

The Group is a new town developer in the People's Republic of China (the "PRC") and was principally engaged in planning and developing large-scale new towns in the largest cities in the PRC among which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Since 2014, as China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") becoming the controlling shareholder of the Company, the Company's business model has been further optimized to diversify from land development into nationwide urbanization projects that cover investment, development, and operation. The Group focuses on core national economic regions such as the Yangtze River delta region and the Beijing-Tianjin-Hebei region, while constantly expanding the urbanization projects with fixed income under the investment portfolio. The principal activities of its principal subsidiaries are set out in Note 3 to the audited consolidated financial statements on pages 119 to 128 of this Annual Report.

BUSINESS REVIEW

As regards the detailed review of the Company's business, principal risks and uncertainties facing, important events affecting the Company that have occurred since the end of the Financial Year, the likely future development in the Company's business and analysis using financial key performance indicators, please refer to the sections headed "Chairman's Statement", "CEO Statement" and "FINANCIAL REVIEW" on pages 9 to 15 and pages 22 to 26 of this Annual Report.

Environmental Policies and Performance

The Company complied with the relevant environmental laws, regulations and policies in the PRC during the Financial Year.

Details of the environmental policies and performance are set out in the ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT on pages 43 to 55 of this Annual Report.

Compliance with the Relevant Laws and Regulations that Have a Significant Impact on the Company

During the Financial Year, the Company was not aware of any non-compliance with the relevant laws and regulations that had a significant impact on it.

Relationships with Employees, Customers, Suppliers and Others

The Group has good relationships with its employees, customers and suppliers. Ongoing professional development is important to the employees given the competitive business environment in which the Group operates. To ensure that employees continue to cultivate skills and knowledge for the fulfillment of their duties and responsibilities, the Group has provided various training programs to its staff. Information about their remuneration package is set out in the paragraph headed "EMOLUMENT POLICY" in this report.

Major Customers and Suppliers

We operate on a distinctive business model and the usual concept of customers under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEx" and the "Listing Rules", respectively) is not applicable to us. We receive a certain portion of the land premium from the relevant PRC land authorities when they sell land use rights over the land we develop to third party property developers through public auction, tender or listing.

During the Financial Year, purchases from our single largest supplier accounted for approximately 31% of our total purchases, while purchases from our five largest suppliers accounted for approximately 66% of our total purchases. The Directors were not aware of any interests of any Directors, their respective close associates (as defined under the Listing Rules) or any substantial shareholders (including any Director who held more than 5% of the Company's issued share capital) in the five largest suppliers or customers.

PERMITTED INDEMNITY PROVISION

Insurance cover in respect of legal proceedings and other claims against the Directors arising from their offices and execution of their powers, duties and responsibilities has been arranged during the Financial Year and remained in force as of the date of this report.

Pursuant to the articles of association of the Company (the "AoA"), if a Director acted honestly and in good faith and in what he believed to be the best interests of the Company and, in the case of criminal proceedings, he had no reasonable cause to believe that his conduct was unlawful, the Directors shall be indemnified against all expenses including legal fees, and against all judgment, fines and amounts paid in settlement and reasonably incurred in connection with legal administrative or investigative proceedings.

RESULTS AND APPROPRIATIONS

The Group's results for the Financial Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 73 and 74 of this Annual Report.

The board of Directors (the "Board") has resolved to recommend the payment of a final dividend of HKD0.006 per ordinary share for the Financial Year (2017: HKD0.0116).

RESERVES

Details of the movements in the reserves of the Group and the Company during the Financial Year are set out in Note 25 to the audited consolidated financial statements on pages 154 and 155 of this Annual Report.

DISTRIBUTABLE RESERVES

Subject to the BVI Business Companies Act 2004, the Company may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. The AoA provide that before recommending any dividends, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

Having reviewed the Company's Statement of Financial Position and Consolidated Statement of Financial Position as at 31 December 2018, cash flow position and the likely business conditions of the Group, the Directors are of the opinion that the Company will continue to satisfy the solvency test in that the value of the assets of the Company exceeds its liabilities and that the Company is able to pay its debts as they fall due immediately after the distribution of the proposed final dividend for the Financial Year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Financial Year are set out in Note 24 to the audited consolidated financial statements on page 154 of this Annual Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the AoA which would oblige the Company to offer new shares of the Company (the "Shares") on a pro-rata basis to the shareholders of the Company (the "Shareholders").

TAXATION IN THE BRITISH VIRGIN ISLANDS ("BVI")

The Company is a BVI business company. A BVI business company is exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not resident in the BVI). Capital gains realized with respect to any shares, debt obligations or other securities of the company by persons who are not resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

DONATIONS

During the Financial Year, the Group has not made any donations (2017: NIL).

FIXED ASSETS

Details of the movements of the Group during the Financial Year for:

— Property, plant and equipment are set out in Note 17 to the audited consolidated financial statements on page 148 of this Annual Report.

GROUP'S FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 21 of this Annual Report.

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

During the Financial Year, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such listed securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the Financial Year and as at the date of this Annual Report.

EQUITY-LINKED AGREEMENT

The Group has not entered into any equity-linked agreements during the Financial Year.

DIRECTORS

The Directors in office during the Financial Year and as at the date of this report were:

Executive Directors
Liu Heqiang *(Chief Executive Officer)*
Yang Meiyu
Ren Xiaowei
Shi Janson Bing

Non-executive Directors
Wei Wei *(Chairman)* (Resigned with effect from 23 June 2018)
Li Huachang *(Chairman)* (Appointed with effect from 23 June 2018 and resigned with effect from 21 March 2019)
Zuo Kun *(Chairman)* (Redesignated from a Vice Chairman to the Chairman with effect from 21 March 2019)
Li Yao Min *(Vice Chairman)*
Xie Zhen (Resigned with effect from 21 March 2019)
Wei Dongzheng (Appointed with effect from 21 March 2019)
Wang Jiangang (Appointed with effect from 21 March 2019)

Independent Non-executive Directors
Henry Tan Song Kok
Kong Siu Chee
Zhang Hao
E Hock Yap

Pursuant to Articles 86(1) and 86(2) of the AoA, Mr. Zuo Kun, Mr. Henry Tan Song Kok, Ms. Yang Meiyu and Mr. Shi Janson will retire by rotation at the forthcoming annual general meeting of the Company (the "2019 AGM").

Pursuant to Article 85(7) of the AoA, Mr. Wei Dongzheng and Mr. Wang Jiangang will retire from office and shall be eligible for re-election at the 2019 AGM.

The Nomination Committee of the Board recommends the re-election of Mr. Zuo Kun, Mr. Henry Tan Song Kok, Ms. Yang Meiyu, Mr. Shi Janson Bing, Mr. Wei Dongzheng and Mr. Wang Jiangang after assessing their contribution and performance. All the aforesaid retiring Directors, being eligible, have offered themselves for re-election thereat.

None of the Directors proposed for re-election at the forthcoming 2019 AGM has a service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 16 to 20 of this Annual Report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts and directors' contract of service, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Financial Year.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

From the beginning of the Financial Year to the date of this report, none of the Directors is considered to have an interest in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

INTERESTS IN SIGNIFICANT CONTRACTS OF DIRECTORS, CHIEF EXECUTIVES AND CONTROLLING SHAREHOLDERS

Save as disclosed below and under the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this Annual Report, none of the Directors, chief executives or controlling shareholders (as defined in the Listing Rules) of the Company has entered into any significant contract (whether for the provision of services to the Group or not) in relation to the business of the Group to which the Company or its holdings company or any of its subsidiaries or fellow subsidiaries, in which they had a material interest, directly or indirectly and which subsisted at the end of, or at any time during the Financial Year.

EMOLUMENT POLICY

The Group remunerates its employees including the Directors, based on their performances, experiences and the prevailing market rate. Other employee benefits include insurance, medical cover and selective subsidized training. Emoluments of the Directors are determined after taking into consideration of their expertise and job specifications.

Pension Schemes

In Hong Kong, we operate a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to our profit and loss account as they become payable. Our contributions as employer vest fully with the employees when we contribute to the scheme. We contribute 5% of the relevant monthly salary to such scheme and our employees contribute the lower of HKD1,500 or 5% of their monthly salary to such scheme as employee mandatory contributions.

In the PRC, we participate in the relevant social insurance contribution plans organized by the relevant local governmental bodies. In accordance with relevant PRC laws, members of our Group operating in the PRC are required to pay a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity (where applicable) for their relevant employees. We are also required by the relevant PRC regulations to register with a competent housing provident fund management centre and make contributions to the respective housing provident funds for our employees.

Details of the employer's pension cost for the Financial Year are set out in Note 32 of the audited consolidated financial statements on pages 160 and 161 of this Annual Report.

CORPORATE GOVERNANCE

The Corporate Governance Report for the Financial Year is set out on pages 27 to 42 of this Annual Report.

RELATED PARTY TRANSACTIONS

The related party transactions set out in Notes 33(a), (b) and (c) to the consolidated financial statements did not constitute one-off connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

There were no connected transaction and continuing connected transaction between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules for the Financial Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the Financial Year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement whose objects are, or one of whose object is, to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 24 April 2018, China New Town Holding Company Limited (a wholly-owned subsidiary of the Company) as the borrower and the Company as the guarantor entered into a facility agreement (the "Facility Agreement") with, inter alia, various financial institutions as the lenders in relation to HKD1,524,000,000 and USD100,000,000 term and revolving loan facilities for the term up to 36 months from the date of the Facility Agreement. The Facility Agreement includes a term imposing a specific performance obligation on the controlling shareholders of the Company. Please refer to the Company's announcement dated 24 April 2018 for further details on the specific performance obligation on the controlling shareholders of the Company.

SECURITIES INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Long Position in the Shares

		Number of Shares held				
Name of Directors	**Capacity**	**Personal interest**	**Family interest**	**Corporate interest**	**Total**	**Approximate percentage of the issued share capital**
Li Yao Min	Beneficial owner	8,352,672	—	—	8,352,672	0.086%
Henry Tan Song Kok	Beneficial owner	600,000	—	—	600,000	0.006%

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2018, to the best of the Directors' knowledge, the following persons or organizations (other than a Director and the chief executive of the Company) had or were deemed or taken to have an interest and/or a short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Long Position in the Shares

		Number of Shares held				
Name of substantial shareholders	**Capacity**	**Direct interest**	**Corporate interest**	**Other interests**	**Total**	**Approximate percentage of the issued share capital**
China Development Bank International Holdings Limited ("CDBIH") (1)	Beneficial owner	5,347,921,071	—	—	5,347,921,071	54.98%
CDB Capital (1)	Interests of a controlled corporation	—	5,347,921,071	—	5,347,921,071	54.98%
China Development Bank Corporation ("CDB") (1)	Interests of controlled corporations	—	5,347,921,071	—	5,347,921,071	54.98%
SRE Investment Holding Limited ("SREI")	Beneficial owner	1,468,356,862	—	—	1,468,356,862	15.10%
Shi Jian ("Mr. Shi") (2)	Beneficial owner and interests of a controlled corporation	6,104,938	1,468,356,862	—	1,474,461,800	15.16%
Jia Yun Investment Limited ("Jia Yun") (3)	Person having a security interest in shares	—	—	1,027,849,803	1,027,849,803	10.57%
Jiabo Investment Limited ("Jiabo") (3)	Interests of a controlled corporation	—	1,027,849,803	—	1,027,849,803	10.57%
China Minsheng Investment Corp., Ltd. ("China Minsheng") (3)	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye") (3)	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
Jiasheng (Holding) Investment Limited ("Jiasheng") (3)	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
Jiashun (Holding) Investment Limited ("Jiashun") (3)	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%
Jiaxin Investment (Shanghai) Co., Ltd. ("Jiaxin") (3)	Interest of controlled corporations	—	1,027,849,803	—	1,027,849,803	10.57%

Notes:

(1) CDBIH is a wholly-owned subsidiary of CDB Capital and CDB Capital, in turn, is wholly owned by CDB. Both CDB and CDB Capital are, therefore, deemed under Part XV of the SFO to be interested in the 5,347,921,071 Shares held by CDBIH.

(2) Pursuant to Part XV of the SFO, Mr. Shi is deemed interested in a total of 1,474,461,800 Shares for the following reasons: (i) Mr. Shi holds 6,104,938 Shares directly; and (ii) Mr. Shi is deemed interested in 1,468,356,862 Shares held by SREI by virtue of the fact that he and his wife, Ms. Si Xiao Dong together beneficially own 81% of the issued share capital of SREI as a controlling shareholder.

(3) Jia Yun acquired the security interests of 1,027,849,803 Shares from SREI on 28 December 2017. Jia Yun is a wholly-owned subsidiary of Jiabo, which in turn, is a wholly-owned subsidiary of Jiashun. Jiashun is a wholly-owned subsidiary of Jiasheng and Jiasheng is in turn a wholly-owned subsidiary of Jiaxin. Jiaxin is a wholly-owned subsidiary of China Minsheng Jiaye, which in turn, is a wholly-owned subsidiary of China Minsheng. All of Jia Yun, Jiabo, Jiashun, Jiasheng, Jiaxin, China Minsheng Jiaye and China Minsheng are, therefore, deemed under Part XV of the SFO to be interested in the 1,027,849,803 Shares of security interest held by Jia Yun.

Save as disclosed above, the Directors are not aware of any other person (other than a Director or the chief executive of the Company) who, as at 31 December 2018, had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register kept by the Company under the SFO.

CNTD SHARE OPTION SCHEME (THE "SCHEME")

(a) Purpose of the Scheme

The purpose of the Scheme is to provide the participants working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interests with the interests of the Group and thereby providing them with incentives to work better for the interests of the Group and/or rewards for their contribution and support to the Group's success and development.

(b) Participants and Eligibility

The remuneration committee of the Board (the "RC") may, at its discretion, invite any executive or non-executive Directors including independent non-executive Directors (the "INEDs") or any employees (whether full-time or part-time) of any member of the Group or the parent group to take up share options to subscribe for Shares and in determining the basis of eligibility of the participants, the RC would take into account such factors as the RC may at its discretion consider appropriate and recommend to the Board for approval.

The controlling shareholders of the Company and their spouse, child, adopted child, step-child, brother, sister and parent shall not be eligible to participate in the Scheme.

(c) Maximum Number of Shares Available for Subscription

As at the date of this Annual Report, the total number of shares available for issue under the Scheme is 972,624,641 shares, representing approximately 10% of shares in issue as at the date of this Annual Report.

Notwithstanding the provision above, all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 15.0% of the Shares in issue from time to time.

(d) **Maximum Entitlement of Shares of Each Participant**

Subject to the statement below, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the total number of Shares in issue. The total number of Shares issued and to be issued upon exercise of the options granted for any participant who is a director, chief executive or substantial shareholder, or any of their respective associates, in the 12-month period shall not representing in aggregate more than 0.1% of the total number of Shares in issue on the relevant date and having an aggregate value, based on the closing price of the Shares as stated in the HKEx's daily quotations sheet on the relevant date, in excess of HKD5 million.

Subject to the statement below, the grant of any option to an executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of any member of the parent group of the Company (the "Parent Group Participant"), which together with options already granted to such Parent Group Participant in his capacity as such under the Scheme, represents 5.0% or more of the total number of options available to Parent Group Participants under the Scheme, the approval of the independent shareholders of the Company must be obtained for each such Parent Group Participant and on the aggregate number of options to be made available for grant to all Parent Group Participants.

(e) **Period for Taking up an Option**

The Scheme is subject to the administration of the RC. The RC would take into account the factors in compliance with the listing requirements and the provisions of the Scheme as the RC may at its discretion consider appropriate. As at the date of this Annual Report, the RC has not granted any option nor considered the terms and conditions of the grant of options since the adoption of the Scheme.

(f) **Minimum Period for Holding an Option Before Exercise**

Subject to the terms and conditions upon which such option was granted, an option may be exercised by the original participant (the "Grantee") at any time during the period to be determined by the RC at its absolute discretion and notified by the RC to each Grantee as being the period during which an option may be exercised and in any event, such period shall not commence until after the first anniversary of the date on which an offer is made to a participant (the "Offer Date") and shall not be longer than 10 years from the Offer Date.

(g) **Amount Payable on Acceptance of the Option**

The option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the Grantee together with a remittance in favor of the Company of HKD1.00 by way of consideration for the granting thereof is received by the Company within the acceptance period. Such remittance shall in no circumstances be refundable or be considered as part of the subscription price.

(h) **Exercise Price**

The subscription price in respect of each Share issued pursuant to the exercise of options granted shall be a price solely determined by the RC and shall be at least the higher of:

(i) the closing price of the Shares as stated in the daily quotations sheet of the HKEx on the Offer Date; and

(ii) a price being the average of the closing prices of the Shares as stated in the daily quotations sheet of the HKEx for the 5 business days immediately preceding the Offer Date.

(i) **Duration of the Scheme**

The Scheme shall be valid and effective for a period of 10 years commenced since the adoption date of 3 September 2010.

During the Financial Year, no option of the Company or any corporation in the Group was granted under the Scheme. Therefore, no share options were exercised or cancelled or lapsed during the Financial Year and there were no outstanding options under the Scheme as at 31 December 2018.

DIRECTORS RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the Financial Year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the audited consolidated financial statements of the Group for the Financial Year and except that each of Mr Li Huachang, Mr. Zuo Kun, Mr. Li Yao Min, Mr. Liu Heqiang, Ms. Yang Meiyu, Mr. Ren Xiaowei, Mr. Xie Zhen and Mr. Shi Janson Bing, has an employment relationship with the Company, and some of them have received remuneration in that capacity. The particulars of the service agreements and the appointment letters of the current Directors are set out below:

Name of Directors	Date of service agreement(s)/ appointment letter(s)	Term	Annual remuneration	Termination notice period/ payment in lieu of notice
Executive Directors				
Liu Heqiang ("Mr. Liu")	28 March 2016	3 years	RMB1,204,977.75	6 months
Yang Meiyu ("Ms. Yang")	28 March 2016	3 years	RMB1,046,429.56	6 months
Ren Xiaowei ("Mr. Ren")	28 March 2016	3 years	RMB1,031,529.56	6 months
Shi Janson Bing	12 August 2018	1 year	HKD800,000	1 month
Non-executive Directors				
Zuo Kun	28 March 2016	3 years	—	1 month
Li Yao Min	22 October 2018	1 year	HKD800,000	1 month
Independent Non-executive				
Henry Tan Song Kok	22 October 2018	1 year	SGD80,000 plus a meeting allowance of SGD2,800	1 month
Kong Siu Chee	22 October 2018	1 year	SGD70,000 per annum plus a meeting allowance of SGD2,800	1 month
Zhang Hao	22 October 2018	1 year	HKD260,000	1 month
E Hock Yap	22 October 2018	1 year	HKD330,000	1 month

CHANGE IN INFORMATION OF DIRECTORS

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:-

- Annual salaries of the following Directors adjusted with effect from 1 September 2018:

	Amount (RMB)
• Mr. Liu	1,186,018
• Mr. Ren	971,358
• Ms. Yang	971,358

- Mr. Zuo Kun has been redesignated from a Vice Chairman to the Chairman with effect from 21 March 2019.

AUDIT COMMITTEE

The audit committee of the Board (the "AC") comprises the following members:

Mr. Henry Tan Song Kok	*(Lead INED and Chairman of the AC)*
Mr. Zhang Hao	*(INED)*
Mr. E Hock Yap	*(INED)*

The AC has recommended to the Board the nomination of Ernst & Young ("EY") for re-appointment as the Company's external independent auditor at the forthcoming 2019 AGM.

The functions performed by the AC (including the review of the audited consolidated financial statements of the Group for the Financial Year) are detailed in the Corporate Governance Report.

INDEPENDENT AUDITOR

There were no changes of independent auditor in the past three years.

The consolidated financial statements of the Group for the Financial Year have been audited by EY who will retire and, being eligible, offer themselves for re-appointment at the forthcoming 2019 AGM. A resolution to re-appoint EY as the independent auditor of the Company and to authorise the Directors to fix their remuneration will be proposed at the 2019 AGM.

For and on behalf of the Board

Zuo Kun
Non-executive Director and Chairman

Liu Heqiang
Executive Director and Chief Executive Officer

21 March 2019

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China New Town Development Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 73 to 176, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter

Allowance for expected credit loss

The Group made a number of investments in various kinds of urbanization projects, from which in substance, the Group receives a fixed return. As at 31 December 2018, the Group recorded an allowance for expected credit loss ("ECL") of RMB32,450 thousand for such investments.

IFRS 9, the new accounting standard on financial instruments, has been adopted by the Group on 1 January 2018. IFRS 9 requires that the measurement of impairment of financial assets be changed from the "incurred loss" model to the ECL model. In order to measure impairment of debt instruments at amortised cost under IFRS 9, management should use judgement and estimation techniques in aspects such as assessing whether there had been a significant increase in credit risk since initial recognition and determining "default", estimating the parameters for measuring ECL and determining the forward-looking adjustments.

The disclosures about the recognition and measurement of the above financial assets are included in Notes 2.2, 2.3, 2.4 and 13 to the consolidated financial statements.

How our audit addressed the key audit matter

We obtained an understanding of the process of management's assessment of ECLs, reviewed the methodology and models developed to calculate the ECLs under IFRS 9, concentrating on such aspects as factors for the ratings of the debt instruments, estimation of historical credit loss experience and forward-looking information. We performed credit review for the debt instruments on a sampling basis, to assess whether the credit ratings were appropriately measured, whether there was obvious evidence of default or significant increase in credit risk since initial recognition. We assessed the rationales of the ECL model methodology and related parameters.

We also assessed the financial statement disclosures relating to the ECL of debt instruments at amortised cost.

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue from land development for sale	
The Group's revenue from land development for sale comprised of revenue from the development of land infrastructure and revenue from the development of ancillary public facilities. On 29 December 2018, Shanghai Golden Luodian Development Co., Ltd. ("SGLD") and the local government entered into a new cooperative agreement to modify the cooperation model, the scope of the construction works in respect of the ancillary public facilities, and the pricing for the land development in the Eastern Plot of Luodian New Town. Revenue of RMB267 million in respect of the Group's land development was recognized during the year after taking into consideration the modification of the contract price and a reassessment of the percentage of completion. Significant judgement and estimation are required in assessing the portions of the work that were completed and those in progress, the related cost to fulfill the performance obligation, as well as related tax consequence. Adjustments may therefore be made to initial estimates throughout the life of the contracts and may materially affect results. The disclosures about the financial impact of the new cooperative agreement, including the accounting policies for revenue recognition on land development are included in Notes 2.3, 2.4, 5 and 9 to the consolidated financial statements.	In assessing the financial impact of the new cooperative agreement, we evaluated the significant judgements and estimations made by the management, which included an examination of the project documents and other supporting documents, the revised estimated total budget cost, the portions of the construction works completed and to be completed, the basis and accuracy of determining the percentage of completion, and assessed the related tax impact. We also evaluated management's judgements for the identification of the performance obligations and the fairness of the allocation of contract price to different performance obligations. We reviewed the expenditure incurred and amounts to be incurred for the ancillary public facilities, based on the new cooperative agreement, reviewed the valuation report prepared by the construction cost engineer on the revised budget, and tested the calculation of the revenue recognised in the current year's financial statements. We also assessed the adequacy and accuracy of related financial statement disclosures.

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property As at 31 December 2018, the carrying amount of investment property, which was measured at fair value, amounted to RMB1,315 million, with a net fair value gain of RMB76,009 thousand recognised for the year ended 31 December 2018. The Group's investment property, which is located in Mainland China, is a building with office premises, retail and car park spaces. The fair value of the investment property was evaluated by an external property valuer. The determination of the fair values involves significant judgement and estimation, especially in selecting the appropriate valuation methodology, market yields and market rents. The disclosures about the recognition and measurement of investment property, including the accounting policies on investment property are included in Notes 2.3, 2.4, 16 and 38 to the consolidated financial statements.	We reviewed the cash flow projection of the investment property prepared by the management, inspected the related supporting documents and assessed the reasonableness of the key assumptions made by the management. We reviewed the valuation report prepared by the external property valuer and evaluated the objectivity, independence and expertise of the external valuers. We involved our internal valuation specialists to assess the valuation models and key valuation parameters. We also assessed the related financial statement disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

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

- 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.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants
Hong Kong
21 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2018

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	**2018**	2017
Operating income		**722,126**	1,232,296
Revenue	5	**599,286**	1,151,794
Other income	6	**122,840**	80,502
Operating expenses		**(853,240)**	(665,085)
Cost of sales	7	**(444,842)**	(391,246)
Selling and administrative expense	7	**(137,585)**	(125,764)
Finance costs	8	**(149,708)**	(99,145)
Other expenses	6	**(121,105)**	(48,930)
Operating (loss)/profit		**(131,114)**	567,211
Share of losses of joint ventures and associates	4	**(14,954)**	(4,395)
(Loss)/profit before tax		**(146,068)**	562,816
Income tax	9	**268,320**	(143,452)
Profit for the year		**122,252**	419,364
Other comprehensive loss			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Net losses on available-for-sale financial assets	14	**—**	(951)
Exchange differences on translation of foreign operations		**(264)**	—
Income tax effect relating to the components of other comprehensive income	9	**—**	238
Other comprehensive loss for the year, net of tax		**(264)**	(713)
Total comprehensive income for the year, net of tax		**121,988**	418,651

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2018

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	**2018**	2017
Profit attributable to:	11		
Equity holders of the parent		**83,893**	335,614
Non-controlling interests		**38,359**	83,750
		122,252	419,364
Total comprehensive income attributable to:			
Equity holders of the parent		**83,629**	334,901
Non-controlling interests		**38,359**	83,750
		121,988	418,651
Earnings per share (RMB per share) attributable to ordinary equity holders of the parent:			
Basic and diluted, profit for the year	12	**0.0086**	0.0345

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2018	2017
Assets			
Non-current assets			
Investments in joint ventures	4(a)	**227,136**	99,225
Investments in associates	4(b)	**7,426**	—
Debt instruments at amortised cost	13	**2,364,966**	1,295,146
Available-for-sale financial assets	14	**—**	35,049
Financial assets at fair value through profit or loss	15	**99,121**	541,600
Investment property	16	**1,315,244**	—
Property, plant and equipment	17	**15,312**	11,923
Prepaid land lease payments	18	**2,238**	2,395
Deferred tax assets	9	**14,436**	102,718
Prepayments	20	**—**	200,000
Other assets		**36,003**	9,725
Total non-current assets		**4,081,882**	2,297,781
Current assets			
Land development for sale	19	**880,008**	1,296,166
Prepayments	20	**3,779**	9,446
Other receivables	21	**790,273**	894,517
Trade receivables	22	**1,542,251**	1,275,816
Debt instruments at amortised cost	13	**847,613**	790,000
Other assets		**19,497**	2,833
Financial assets at fair value through profit or loss	15	**177,450**	—
Cash and bank balances	23	**662,662**	1,532,265
Total current assets		**4,923,533**	5,801,043
Total assets		**9,005,415**	8,098,824
Equity and liabilities			
Equity			
Attributable to:			
Equity holders of the parent:			
Share capital	24	**4,070,201**	4,070,201
Other reserves	25	**607,334**	592,792
Other comprehensive loss		**(264)**	(713)
Accumulated losses		**(484,275)**	(440,886)
		4,192,996	4,221,394
Non-controlling interests		**424,412**	383,820
Total equity		**4,617,408**	4,605,214

Consolidated Statement of Financial Position

As at 31 December 2018

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2018	2017
Non-current liabilities			
Interest-bearing bank borrowings	27	**2,357,192**	298,938
Other liabilities		**6,822**	—
Deferred tax liabilities	9	**42,690**	22,733
Total non-current liabilities		**2,406,704**	321,671
Current liabilities			
Interest-bearing bank borrowings	27	**85,000**	50,000
Trade payables	28	**701,173**	147,601
Other payables and accruals	29	**418,797**	287,960
Senior guaranteed notes	26	**—**	1,297,891
Advance from customers		**11,754**	1,040
Deferred revenue arising from land development	30	**—**	706,365
Dividend payables	10	**54,637**	—
Current income tax liabilities	9	**70,728**	492,814
Financial liabilities at fair value through profit or loss	31	**193,556**	188,268
Contract liabilities	30	**445,658**	—
Total current liabilities		**1,981,303**	3,171,939
Total liabilities		**4,388,007**	3,493,610
Total equity and liabilities		**9,005,415**	8,098,824
Net current assets		**2,942,230**	2,629,104
Total assets less current liabilities		**7,024,112**	4,926,885

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

Zuo Kun
Non-executive Chairman

Liu Heqiang
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

(All amounts expressed in RMB'000 unless otherwise specified)

		Attributable to equity holders of the parent							
	Notes	Share capital	Other reserves	Foreign currency translation reserve	Available-for-sale reserve	Accumulated losses	Total	Non-controlling interests	Total equity
As at 1 January 2017	24/25	4,110,841	579,270	—	—	(776,500)	3,913,611	364,256	4,277,867
Total comprehensive income		—	—	—	(713)	335,614	334,901	83,750	418,651
Capital withdrawal by non-controlling interests		—	(10,733)	—	—	—	(10,733)	(64,186)	(74,919)
Share of equity changes of a joint venture other than other comprehensive income		—	24,255	—	—	—	24,255	—	24,255
Buyback shares of the Company		(40,640)	—	—	—	—	(40,640)	—	(40,640)
As at 31 December 2017	24/25	4,070,201	592,792	—	(713)	(440,886)	4,221,394	383,820	4,605,214
Effect of adoption of IFRS 9		—	—	—	713	(34,073)	(33,360)	(2,576)	(35,936)
As at 1 January 2018		**4,070,201**	**592,792**	**—**	**—**	**(474,959)**	**4,188,034**	**381,244**	**4,569,278**
Total comprehensive income		**—**	**—**	**(264)**	**—**	**83,893**	**83,629**	**38,359**	**121,988**
Capital injection by non-controlling interests		**—**	**101**	**—**	**—**	**—**	**101**	**4809**	**4,910**
Share of equity changes of a joint venture other than other comprehensive income		**—**	**14,441**	**—**	**—**	**—**	**14,441**	**—**	**14,441**
Dividends		**—**	**—**	**—**	**—**	**(93,209)**	**(93,209)**	**—**	**(93,209)**
As at 31 December 2018	24/25	**4,070,201**	**607,334**	**(264)**	**—**	**(484,275)**	**4,192,996**	**424,412**	**4,617,408**

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2018	2017
Cash flows from operating activities			
(Loss)/profit before tax		**(146,068)**	562,816
Adjustments for:			
Credit loss expense	6	**13,456**	—
Write-off of other receivables	6	**—**	38,679
Depreciation of property, plant and equipment	17	**1,821**	1,486
Amortisation of prepaid land lease payments	18	**157**	157
Amortisation of intangible assets		**309**	321
Loss/(gain) on disposal of property, plant and equipment		**1**	(476)
Net fair value gain on investment property	6	**(76,009)**	—
Net gain on financial instruments at fair value through profit or loss	6	**(11,215)**	(27,448)
Interest expense on financial liabilities at fair value through profit or loss	8	**12,378**	8,741
Share of losses from joint ventures and associates	4	**14,954**	4,395
Interest from debt instruments at amortised cost	5	**(276,482)**	(241,127)
Dividends received from financial assets at fair value through profit or loss	5	**(23,238)**	(14,646)
Interest from bank deposits	6	**(20,610)**	(35,105)
Interest expense on bank and other borrowings	8	**110,340**	15,410
Interest expense on senior guaranteed notes	8	**26,990**	74,994
Foreign exchange loss	6	**105,041**	9,615
Operating (loss)/gain before working capital changes		**(268,175)**	397,812
Decrease in land development for sale		**416,158**	268,240
Decrease in inventories		**—**	3,273
Decrease/(increase) in prepayments		**665**	(2,148)
Decrease in other receivables and other assets		**18,406**	144,509
Increase in trade receivables		**(282,013)**	(1,213,408)
Decrease in advances received for the settlement of the Disposal Assets		**—**	(538,975)
Increase in advances from customers		**8,656**	1,040
(Decrease)/increase in deferred income arising from land development		**(706,365)**	353,571
Increase in contract liabilities		**445,658**	—
(Decrease)/increase in trade and other payables		**(441,049)**	32,612
		(808,059)	(553,474)
Income tax paid		**(45,062)**	(68,279)
Net cash outflow from operating activities		**(853,121)**	(621,753)

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2018	2017
Cash flows from investing activities			
Purchases/construction of property, plant and equipment	17	**(4,728)**	(4,627)
Proceeds from disposal of property, plant and equipment		**—**	26
Net cash inflow of acquisition of a subsidiary		**83,971**	—
Investments in joint ventures and associates		**(136,114)**	(30,068)
Investment in available-for-sale financial assets		**—**	(4,000)
Net investments in debt instruments at amortised cost		**(1,112,726)**	(17,869)
Interest received from debt instruments at amortised cost		**324,391**	241,988
Redemption in financial assets at fair value through profit or loss		**304,600**	273,164
Dividends received from financial assets at fair value through profit or loss		**23,238**	14,646
Interest received from bank deposits		**20,610**	35,105
Gain from wealth management products		**12,131**	24,542
Prepayments for the equity acquisition		**—**	(200,000)
Net cash (outflow)/inflow from investing activities		**(484,627)**	332,907
Cash flows from financing activities			
Proceeds from non-controlling interests		**4,910**	—
Cash payment for buyback shares of the Company		**—**	(40,640)
Proceeds from bank and other borrowings		**2,747,590**	71,600
Repayment of bank and other borrowings		**(812,690)**	(517,184)
Repayment of senior guaranteed notes		**(1,300,000)**	—
Proceeds received from other interest holders of the consolidated structured entity		**—**	70,000
Payment for the revolving loan facility fee		**—**	(4,230)
Dividends paid		**(43,526)**	—
Interest paid		**(130,306)**	(95,482)
Net cash inflow/(outflow) from financing activities		**465,978**	(515,936)
Net decrease in cash and cash equivalents		**(871,770)**	(804,782)
Effect of exchange rate changes on cash and cash equivalents		**2,167**	(12,350)
Cash and cash equivalents at beginning of year		**1,532,265**	2,349,397
Cash and cash equivalents at end of year	23	**662,662**	1,532,265

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

1. CORPORATE AND GROUP INFORMATION

China New Town Development Company Limited (the "Company") was incorporated on 4 January 2006 in the British Virgin Islands (the "BVI"). After a series of reorganisations, on 14 November 2007, the Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). On 22 October 2010, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx") by way of introduction. As a result, the Company was once dual-listed on the Main Boards of both the SGX-ST and the HKEx. The Company voluntarily delisted from the SGX-ST on 17 February 2017.

The Company with its subsidiaries (the "Group") is a new town developer in Mainland China and is principally engaged in planning and developing large-scale new towns in China's largest cities, among which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Since 2014, as China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") becoming the controlling shareholder, the Company's business models have been further optimized to diversify from land development into nationwide urbanization projects that cover investment, development, and operation. The Group focuses on such core national economic regions as the Yangtze River delta region and the Beijing-Tianjin-Hebei region, while constantly expanding the urbanization projects with fixed income under the investment portfolio.

The Company used to be a subsidiary of SRE Group Limited ("SRE"), a company listed on the HKEx since September 2009. During 2012, SRE disposed of its entire holding of shares in the Company to SRE's own shareholders via a special dividend in the form of a distribution in species. Upon completion of that distribution, in October 2012, SRE no longer held any shares in the Company and ceased to be the parent of the Company. As a result of that distribution, SRE Investment Holding Limited ("SREI"), the parent of SRE became the largest shareholder of the Company.

On 10 October 2013, the Company, China Development Bank International Holdings Limited ("CDBIH") and SREI entered into a share subscription agreement (the "Subscription Agreement"), pursuant to which CDBIH had agreed to subscribe for 5,347,921,071 new shares of the Company subject to the terms and conditions contained therein (the "Subscription"). The Subscription was completed in the first quarter of 2014. As a result, CDBIH, a wholly-owned subsidiary of CDB Capital, became the largest shareholder of the Company.

As an appendix to the Subscription Agreement, there was a disposal master agreement (the "Disposal Master Agreement") between the Company and SREI to dispose of the specified assets and liabilities not relating to the Group's principal business of planning and development of new town projects in Mainland China (the "Disposal Assets"). Execution of the Disposal Assets was completed in 2016.

In the opinion of the directors of the Company (the "Directors"), with the completion of the share subscription of CDBIH, the Company's ultimate holding company is China Development Bank Corporation ("CDB"), which holds 54.98% of the issued share capital of the Company through CDBIH after delisted from the SGX-ST.

Subsidiaries

The principal activities of the subsidiaries are disclosed in Note 3 below.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the "IASB").

The financial statements have been prepared under the historical cost convention, except for investment property, financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

(a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

(b) Exposure, or rights, to variable returns from its involvement with the investee

(c) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) Rights arising from other contractual arrangements

(c) The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if it 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 in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (continued)

(a) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(b) Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than twelve months. The Group's current assets include assets (such as land development for sale) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the end of the reporting period, in accordance with IFRSs.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amended standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations applied for the first time in 2018, but did not have an impact on the consolidated financial statements of the Group.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

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

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

(All amounts expressed in RMB'000 unless otherwise specified)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amended standards and interpretations (continued)

IFRS 15 *Revenue from Contracts with Customers (continued)*

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

	Notes	Increase/ (decrease)
Liabilities		
Contract liabilities	(i)	706,365
Deferred revenue arising from land development	(i)	(706,365)
Total liabilities		—

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

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amount prepared under		
		IFRS 15	**Previous IFRS**	**Increase/(decrease)**
Contract liabilities	(i), (ii)	**445,658**	**—**	**445,658**
Deferred revenue arising from land development	(i)	**—**	**442,522**	**(442,522)**
Advance from customers	(ii)	**—**	**3,136**	**(3,136)**
Total liabilities		**445,658**	**445,658**	**—**

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

(i) Consideration received from land development in advance

Before the adoption of IFRS 15, the portion of amounts received or receivable from the land authorities, as a result of the sales of parcels of land developed by the Group that are not yet recognised as revenue, are recognised as deferred revenue arising from land development, because the developments of the ancillary public facilities of land sold are still in progress. The amounts received or receivable are non-refundable unless the Group fails to complete the development works.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amended standards and interpretations (continued)

IFRS 15 *Revenue from Contracts with Customers (continued)*

(i) Consideration received from land development in advance (continued)

Upon adoption of IFRS 15, deferred revenue arising from land development were re-classified to contract liabilities. Accordingly, the Group reclassified RMB706,365 thousand from deferred revenue arising from land development to contract liabilities as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in deferred revenue arising from land development of RMB442,522 thousand and an increase in contract liabilities of RMB442,522 thousand.

(ii) Consideration received from property management customers in advance

The Group began to provide property management service since the investment property commenced operation after the completion of the construction of the investment property during the current year.

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as advance from customers. Under IFRS 15, the amount is classified as contract liabilities. Therefore, as at 31 December 2018, under IFRS 15, RMB3,136 thousand was reclassified from advance from customers to contract liabilities in relation to the consideration received from customers in advance for the sale of property management services.

IFRS 9 *Financial Instruments*

The Group adopted IFRS 9 *Financial Instruments* on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bring together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balance in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018. However, the Group has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amended standards and interpretations (continued)

IFRS 9 *Financial Instruments (continued)*

Impact of adoption of IFRS 9 (continued)

in RMB'000 1 January 2018	IAS 39 measurement				IFRS 9	
	Category	Amount	Reclassification	Remeasurement — ECL	Category	Amount
Financial assets						
Available-for-sale financial assets	AFS	35,049	(35,049)	—	NA	—
To: Financial assets at fair value through profit or loss		—	(35,049)	—		
Financial assets at fair value through profit or loss	FVPL	541,600	35,049	—	FVPL	576,649
From: Available-for-sale financial assets		—	35,049	—		
Debt instruments at amortised cost	L&R	2,085,146	—	(20,851)	AC	2,064,295
Trade receivables	L&R	1,275,816	—	(12,758)	AC	1,263,058
Other receivables	L&R	894,517	—	(8,945)	AC	885,572
Cash and cash equivalents	L&R	1,532,265	—	—	AC	1,532,265
Non-financial assets						
Deferred tax assets		102,718		6,618		109,336
Total assets		6,467,111		(35,936)		6,431,175

Notes:	AFS	FVPL	L&R	AC
	Available-for-sale financial assets	Fair value through profit or loss	Loans and receivables	Amortised cost

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amended standards and interpretations (continued)

IFRS 9 *Financial Instruments (continued)*

Impact of adoption of IFRS 9 (continued)

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

- Debt instruments and equity instruments, other than investments in subsidiaries and associates, are acquired for the purpose of generating short-term profit. Therefore, they meet the held-for-trading criteria and are required to be measured at FVPL. Equity investments in non-listed companies previously classified as AFS financial assets with gains and losses recorded in OCI are now classified and measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. The AFS reserve of RMB713 thousand relating to those equity shares, which was previously presented as accumulated OCI, were reclassified to accumulated losses at 1 January 2018. There were no impairment losses recognised in profit or loss for these investments in prior periods.

- The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in OCI, unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. Therefore, they continue to be measured at fair value.

- The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39. Therefore, this requirement has not had an impact on the Group.

(All amounts expressed in RMB'000 unless otherwise specified)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amended standards and interpretations (continued)

IFRS 9 *Financial Instruments (continued)*

Impact of adoption of IFRS 9 (continued)

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. This increases impairment provision and increases the accumulated losses upon first-time adoption.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

Impairment allowance	Allowance for impairment under IAS 39 at 31 December 2017	Remeasurement — ECL	ECLs under IFRS 9 at 1 January 2018
Debt instruments at amortised cost	—	20,851	20,851
Trade receivables	—	12,758	12,758
Other receivables	—	8,945	8,945
	—	42,554	42,554

(c) Hedge accounting

The Group has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

Financial assets

In line with the characteristics of the Group's financial instruments as well as its approach to their management, the Group neither revoked nor made any new designations on the date of initial application. IFRS 9 has resulted in changes in the carrying amount of the Group's AFS financial instruments due to changes in measurement categories. The other financial assets that were classified as FVPL under IAS 39 are still classified as FVPL under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

In addition, the application of the ECL mode under IFRS 9 has changed the carrying amounts of the Group's amortised cost financial assets. An ECL allowance of RMB20,851 thousand, RMB12,758 thousand and RMB8,945 thousand has been recorded against the Group's debt instruments at amortised cost, trade receivables and other receivables, respectively compared with no impairment recorded under IAS 39.

Financial liabilities

In line with the characteristics of the Group's financial instruments as well as its approach to their management, the Group neither revoked nor made any new designations on the date of initial application. IFRS 9 has not significantly resulted in changes in the carrying amount of the Group's financial liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments do not have any impact on the Group's consolidated financial statements since the Group has no share-based payment transaction.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. Since the Group's current practice is in line with the interpretation, there is no significant impact on the consolidated financial statements.

Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 *Investments in Associates and Joint Ventures — Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have a significant impact on the Group's consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Deletion of short-term exemptions for first-time adopters*

Short-term exemptions in paragraphs E3—E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements

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

(i) ***Land development services***

The Group applied significant judgements in identifying performance obligations and allocation revenue between different components in land development services. The Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses. As ancillary public facilities are separately identifiable from land infrastructure, the allocation of revenue from the land development to land infrastructure and ancillary public facilities is based on their relative fair values of the construction works, determined by reference to the relative estimated construction costs of each component.

Although the Group is entitled to receive from the local governments a proportion of the proceeds from land sales, the proceeds are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved, which is until the relevant land is sold. Revenue attributable to land infrastructure is recognised over time based on the portions of the specific construction works (demolition, relocation and land clearing works) are completed and upon the sale of the relevant land. Revenue attributable to ancillary public facilities is recognised over time based on the portions of ancillary public facilities are completed and upon the sale of the relevant land.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

(ii) Classification between investment properties and owner-occupied properties

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

(iii) Control on structured entities

The Group considers whether the Group has the power over a structured entity and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Estimates and assumptions

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

(i) Carrying amount of land development for sale

The Group's land development for sale is stated at the lower of cost and net realisable value.

Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land infrastructure and ancillary public facilities, and their net realisable value, i.e., the revenue to be derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land development for sale based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land development for sale over their net realisable values should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land development for sale in the periods in which such estimate is changed will be adjusted accordingly.

Pursuant to the new cooperative agreement described in Note 5, management revised the budget for the total expenditure, amounted to RMB1,040 million, in 2018 including the land infrastructure and ancillary public facilities in the Eastern Zone, which cause a significant decrease in unit cost in line with the decrease of expected total revenue. The revised budget cost will be allocated between the remaining parcel of land infrastructure and ancillary public facilities.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(ii) Deferred tax assets and liabilities

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Deferred tax liabilities are recognised for taxable temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed. Pursuant to the new cooperative agreement described in Note 5, the management reassessed the tax provision for land development, for details please see Note 9.

(iii) Allowance for expected credit losses

The Group uses a provision matrix to calculate ECLs for debt instruments at amortised cost, trade receivables, other receivables and contract assets based on its historical credit loss experience, adjusted for forward-looking factors to the debtors and the economic environment. The provision rates are based on groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's debt instruments at amortised cost, trade receivables and other receivables are disclosed in Notes 13, 22 and 21.

(iv) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Such estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in Note 2.4. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and the value in use, the calculation of which involves the use of estimates.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(v) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

(vi) Estimation of fair value of investment property

Investment property is evaluated by independent professionally qualified valuers at the end of each reporting period using the income approach, which is on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest, as well as direct comparison approach, which is on the basis of making reference to comparable sales evidence as available in the relevant market. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

For details of change in fair values of investment property in 2018, please see Note 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date less any impairment losses. Goodwill, if any, relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the investor. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss within 'Share of losses of joint ventures' in the statement of profit or loss and other comprehensive income.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on the current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures financial instruments, such as financial assets at fair value through profit or loss, investment property and financial liabilities at fair value through profit or loss, at fair value at the end of each reporting period. Also, the fair values of financial instruments are disclosed in Note 38.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

Level 1	—	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	—	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement (continued)

(a) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortised cost include debt instruments at amortised cost, trade receivables and other receivables. For more information on debt instruments at amortised cost, refer to Notes 13, 22 and 21.

(b) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group did not have such debt investments at fair value through OCI.

(c) Financial assets designated at fair value through OCI (equity instruments)

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group did not have such equity investments at fair value through OCI.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement (continued)

(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Financial assets (policies under IAS 39 applicable before 1 January 2018)

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income in the statement of profit or loss and other comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(b) Loans and receivables

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

This category generally applies to loans and receivables, trade receivables and other receivables. For more information on loans and receivables, refer to Notes 13, 22 and 21.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation and the losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

(d) Available-for-sale (AFS) financial investments

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

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI and credited in the AFS financial investments reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS financial investments reserve to the statement of profit or loss and other comprehensive income in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

General approach

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Simplified approach

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

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

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

(a) Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future ECLs that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the statement of profit or loss and other comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in the statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(b) Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income — is removed from OCI and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss and other comprehensive income, the impairment loss is reversed through the statement of profit or loss and other comprehensive income.

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

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, bank and other borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank and other borrowings, financial liabilities at amortised cost and financial liabilities at fair value through profit or loss.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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

Financial liabilities at amortised cost including trade payables, senior guaranteed notes, and interest-bearing loans and borrowings are subsequently measured at amortised cost, using the EIR method unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Subsequent measurement (continued)

(a) Financial liabilities at amortised cost (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (continued)

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

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

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

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

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

(c) Financial liabilities at fair value through profit or loss (policies under IAS 39 applicable before 1 January 2018)

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value (10% of the cost) over its estimated useful life. The estimated useful lives for this purpose are as follows:

Buildings	20 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

When parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the fair value less cost to sell and the carrying amount of the relevant asset.

CIP represents buildings under construction and is stated at cost less any impairment in value, and is not depreciated. Cost mainly comprises the direct costs during the period of construction and capitalised interest. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of construction and other costs directly attributable to such land development for sale.

Land development for sale is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land development for sale based on prevailing market conditions.

Any excess of cost over the net realisable value of individual items of land development for sale is recognised as an allowance.

Inventories

Inventories, which mainly refer to supplies and low-value consumables, are accounted for at cost when purchased. Cost of supplies is determined using the first-in, first-out method. Low-value consumables are expensed in full when issued for use.

Inventories are valued at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is the estimated selling price in the ordinary course of business, less estimated expenses and related taxes necessary to make the sales. The net realisable value is determined based on contract prices or market prices.

Any excess of cost over the net realisable value of individual items of inventories is recognised as an allowance.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost. The subsequent measurement of prepaid land lease payments is as follows:

i) Prepaid land lease payments incurred for properties other than investment property (after the adoption of amendments to IAS 40), they are amortised over the lease terms on the straight-line basis. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in profit or loss.

ii) Prepaid land lease payments included in investment property (after the adoption of amendments to IAS 40) are not amortised as they are stated at fair value.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met and it is accounted for as a finance lease.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values are included in the statement of profit or loss and other comprehensive income in the period in which they arise, including the corresponding tax effect.

Investment property is derecognised when it has been disposed of (i.e., at the date the recipient obtains control) or when it are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Revenue recognition

Revenue from contracts with customers (applicable from 1 January 2018)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from land development for sale (applicable under IAS 11, IAS 18 and IFRS 15)

The Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses.

When the parcels of land are sold by the local governments to land buyers through public auction, tender or listing, the Group is entitled to receive from the local governments a proportion of the proceeds from land sales (including related public utilities fees, if any). As ancillary public facilities are separately identifiable from land infrastructure, such proceeds to be received by the Group are allocated between land infrastructure and ancillary public facilities based on their fair values.

Revenue attributable to land infrastructure is recognised over time based on the portions of the specific construction works (demolition, relocation and land clearing works) are completed and upon the sale of the relevant land. Revenue attributable to ancillary public facilities is recognised over time based on the portions of the ancillary public facilities are completed and upon the sale of the relevant land.

Asset and fund management fees (applicable under IAS 18 and IFRS 15)

Asset and fund management fees are recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Property management revenue (applicable under IAS 18 and IFRS 15)

Property management revenue is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Operating lease income

Operating lease income from investment property is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the property together with any further terms for which the lessee has the option to continue to lease the property, with or without further payments, when at the inception of the lease, it is reasonably certain that the lessee will exercise the option.

Interest income (applicable under IFRS 9 and IAS 39)

Interest income is recognised on a time proportion basis using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Dividend income (applicable under IFRS 9 and IAS 39)

Dividend income is recognised when the shareholders' right to receive payment has been established, which is generally when the shareholders approve the dividend.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract balances (applicable from 1 January 2018)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss and other comprehensive income on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as expenses when incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of fund. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a set of properties acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Dividends

When dividends have been approved by the directors and shareholders and declared, they are recognised as a liability.

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in Mainland China (the "PRC group companies") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

In Hong Kong, the Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of the employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable. The Group's contributions as employer vest fully with the employees when the Group contribute to the scheme. The Group contributes 5% of the relevant monthly salaries to such scheme and the Group's employees contribute the lower of HKD1,250 and 5% of their monthly salaries to such scheme as employee mandatory contributions.

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by the Company with assistance from the valuer using an appropriate pricing model.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense is recognised for any modification, which increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

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

Foreign currency translation

The Group's consolidated financial statements are presented in RMB which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. All transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating to those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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

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

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, the grant is deducted from the relevant asset before arriving at the carrying amount of the asset. The grant is recognised in the statement of profit or loss and other comprehensive income over the time of asset realisation by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facility services.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretation that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretation, if applicable, when they become effective.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two elective recognition exemptions for lessees — leases of low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 *Leases* (continued)

Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment such as green plants and motor vehicles that are considered to be of low value.

As set out in Note 34 to the financial statements, the total operating lease commitments of the Group in respect of leased premises as at 31 December 2018 amounted to RMB20,950 thousand. The Group does not expect the adoption of IFRS 16 as compared with the current accounting policy would result in any significant impact on the Group's results but it is expected that a certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2004. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any significant effect on its financial statements.

Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

The amendments are effective for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The Group will apply the interpretation from its effective date. Currently, it is expected that the amendments would have no significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 9: *Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. The Group will apply the interpretation from its effective date. Currently, it is expected that the amendments would have no significant impact on the Group's financial statements.

Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. The Group will apply the interpretation from its effective date. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group. Currently, it is expected that the amendments would have no significant impact on the Group's financial statements.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Annual Improvements 2015–2017 Cycle **(issued in December 2017)**
These improvements include:

IFRS 3 *Business Combinations*
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. The Group will apply the amendments from their effective date. Currently, it is expected that the amendments would have no significant impact on the Group's financial statements.

IFRS 11 *Joint Arrangements*
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. The Group will apply the amendments from their effective date. Currently, it is expected that the amendments would have no significant impact on the Group's financial statements.

IAS 12 *Income Taxes*
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Group will apply the amendments from their effective date. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any significant effect on its financial statements.

IAS 23 *Borrowing Costs*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any significant effect on its consolidated financial statements. The Group will apply the amendments from their effective date.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 3: *Definition of a Business*

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed. The Group will apply the amendments from their effective date.

Amendments to IAS 1 and IAS 8: *Definition of Material*

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments replaced the threshold 'could influence', which suggests that any potential influence of users must be considered, with 'could reasonably be expected to influence' in the definition of 'material'. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Early application is permitted and must be disclosed. The Group will apply the amendments from their effective date.

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES

Company

	Notes	2018	2017
Unlisted shares, at cost	(a)	**3,524,561**	3,524,561
Advances to subsidiaries, net	(c)	**1,526,783**	1,526,783
		5,051,344	5,051,344

(a) As at 31 December 2018 and 2017, the Group's direct or indirect interests in all subsidiaries are set out below:

Directly held by the Company

Name	Place and date of incorporation	Cost of investment	Proportion of ownership interest (%) 2018	Proportion of ownership interest (%) 2017	Principal activities/place of operation
Meeko Investment Limited ("Meeko")	British Virgin Islands 19 August 2005	1,230,300	**100.00**	100.00	Investment holding/ Hong Kong
Weblink International Limited ("Weblink")	British Virgin Islands 17 November 2005	794,261	**100.00**	100.00	Investment holding/ Hong Kong
Protex Investment Limited	British Virgin Islands 18 October 2006	—	**100.00**	100.00	Investment holding/ Hong Kong
China New Town Holding Co., Ltd. ("CNT Holding")	Hong Kong 17 July 2014	1,500,000	**100.00**	100.00	Investment holding/ Hong Kong and Mainland China
China New Town Finance I Limited ("Finance I")	British Virgin Islands 11 March 2015	—	**100.00**	100.00	Investment holding/ Hong Kong
		3,524,561			

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(a) As at 31 December 2018 and 2017, the Group's direct or indirect interests in all subsidiaries are set out below: (continued)

Indirectly held by the Company

Ultimately held through	Name	Place and date of incorporation/ establishment and issued share capital	Proportion of ownership interest (%) 2018	Proportion of ownership interest (%) 2017	Effective equity interest (%) 2018	Effective equity interest (%) 2017	Principal activities/ place of operation
Meeko and Weblink	Shanghai Golden Luodian Development Co., Ltd. (SGLD)	PRC 26 September 2002 RMB208,100,000	**72.63**	72.63	**72.63**	72.63	Land development/ Mainland China
Weblink	Shanghai Jia Tong Enterprises Co., Ltd. ("Shanghai Jiatong")	PRC 12 April 2006 RMB1,000,000	**100.00**	100.00	**100.00**	100.00	Consultation services/ Mainland China
Protex Investment Limited	China New Town Development (Changchun) Company Limited ("CNTD Changchun")	British Virgin Islands 7 September 2006 Nil	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	China New Town Development (Wuxi) Company Limited ("CNTD Wuxi")	British Virgin Islands 18 October 2006 Nil	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	China New Town Development (Shenyang) Company Limited ("CNTD Shenyang")	British Virgin Islands 18 October 2006 Nil	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	Safewell Investment Limited	British Virgin Islands 14 February 2007 Nil	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(a) As at 31 December 2018 and 2017, the Group's direct or indirect interests in all subsidiaries are set out below: (continued)

Indirectly held by the Company (continued)

Ultimately held through	Name	Place and date of incorporation/ establishment and issued share capital	Proportion of ownership interest (%)		Effective equity interest (%)		Principal activities/ place of operation
			2018	2017	**2018**	2017	
	Shenyang Lixiang New Town Modern Agriculture Co., Ltd. ("Shenyang Lixiang")	PRC 6 March 2007 RMB747,666,613	**100.00**	100.00	**100.00**	100.00	Land development/ Mainland China
	Shanghai CNTD Management Consulting Co., Ltd.	PRC 21 June 2007 RMB1,512,720	**100.00**	100.00	**100.00**	100.00	Enterprise investment consultation/ Mainland China
CNT Holding	CDBC New Town (Beijing) Management Consulting Co., Ltd.	PRC 20 November 2014 RMB25,000,000	**100.00**	100.00	**100.00**	100.00	Real estate consultation/ Mainland China
	CDBC New Town (Beijing) Asset Management Co., Ltd. ("CDBC New Town")	PRC 6 January 2015 RMB110,000,000	**100.00**	100.00	**100.00**	100.00	Asset management/ Mainland China
	CDBC New Town (Changchun) Construction and Development Co., Ltd. ("CDBC Changchun")	PRC 2 December 2015 RMB26,275,800	**100.00**	100.00	**100.00**	100.00	Real estate development/ Mainland China
	CDBC Nanjing Investment Development Co., Ltd. ("CDBC Nanjing")	PRC 1 August 2014 RMB122,000,000	**100.00**	100.00	**100.00**	100.00	Investment and asset development/ Mainland China

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(a) As at 31 December 2018 and 2017, the Group's direct or indirect interests in all subsidiaries are set out below: (continued)

Indirectly held by the Company (continued)

Ultimately held through	Name	Place and date of incorporation/ establishment and issued share capital	Proportion of ownership interest (%)		Effective equity interest (%)		Principal activities/ place of operation
			2018	2017	**2018**	2017	
	CDBC Agricultural Investment Management Co., Ltd. ("CDBC Agricultural")	PRC 15 December 2015 RMB22,155,700	**51.00**	51.85	**51.00**	51.85	Investment management/ Mainland China
	CDBC New Town (Beijing) Investment Fund Management Co., Ltd.	PRC 1 January 2016 RMB10,000,000	**100.00**	100.00	**100.00**	100.00	Investment management/ Mainland China
	CDBC Chengdu Agricultural Development Co., Ltd.	PRC 1 February 2016 RMB17,377,000	**100.00**	100.00	**51.85**	51.85	Investment management/ Mainland China
	Yangzhou CDBC Investment Fund Management Co., Ltd.	PRC 1 January 2016 RMB1,000,000	**100.00**	100.00	**100.00**	100.00	Investment management/ Mainland China
	ShengQi (Jiaxing) Investment Management Co., Ltd. ("ShengQi IM")	PRC 23 February 2016 RMB1,000,000	**100.00**	100.00	**100.00**	100.00	Investment management/ Mainland China
	Beijing Zhuchengyingtai Engineering Management Co., Ltd.	PRC 9 October 2016 Nil	**100.00**	100.00	**100.00**	100.00	Engineering management/ Mainland China

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(a) As at 31 December 2018 and 2017, the Group's direct or indirect interests in all subsidiaries are set out below: (continued)

Indirectly held by the Company (continued)

Ultimately held through	Name	Place and date of incorporation/ establishment and issued share capital	Proportion of ownership interest (%)		Effective equity interest (%)		Principal activities/ place of operation
			2018	2017	**2018**	2017	
CNT Holding	China Development Bank Education Co., Ltd. ("CDB Education")	Hong Kong 11 November 2017 Nil	**100.00**	100.00	**100.00**	100.00	Asset management/ Hong Kong
	Lenovo Mobile Communication Software (Wuhan) Co., Ltd. ("Lenovo Wuhan")	PRC 31 May 2018 RMB10,000,000	**66.40**	—	**100.00**	—	Real estate development/ Mainland China
	CDBC Co-Create Enterprise Management (Huzhou) Co., Ltd ("CCEM Huzhou")	PRC 2 June 2018 RMB10,000,000	**58.00**	—	**58.00**	—	Investment management/ Mainland China

(b) **Interests in consolidated structured entities**

CDB New Town (Jiangsu) New-type Urbanization Development Fund (the "Jiangsu Fund")

In 2016, CDBC New Town and ShengQi IM, wholly-owned subsidiaries of the Group, entered into a limited partnership agreement with CIB Wealth Management Co., Ltd. ("CIB"), and CDB Jingcheng (Beijing) Investment Fund Company Limited ("CDB Fund"), in relation to the establishment of an investment partnership, the Jiangsu Fund.

The Group had consolidated the Jiangsu Fund as the Group was involved in the capacity of both general partner and limited partner. To determine whether control exists, the Group exercises judgement and assesses whether the combination of investments it held together with related remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that it is a principal. The funds shall be consolidated if the Group acts in the role of principal.

The financial impact of the Jiangsu Fund on the Group's financial position as at 31 December 2018, and results and cash flows for the year ended 31 December 2018, though consolidated, is not significant and therefore not disclosed separately.

Interests in the consolidated structured entity directly held by the Group amounted to RMB32.47 million at 31 December 2018 (2017: RMB32.47 million). Interests attributable to other interest holders are presented as finance costs in the consolidated statement of profit or loss and other comprehensive income and interests held by other interest holders are presented as financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Interests in consolidated structured entities (continued)

CDBC Yangzhou Jiangguang Fusion Private Investment Fund (the "Jiangguang Fund")

In 2017, CDBC New Town and Qinhuangdao Zhongmin Investment Company Limited ("Zhongmin Company") entered into a limited partnership agreement to establish a partnership, the Jiangguang Fund, where CDBC New Town (Beijing) Investment Fund Management Co., Ltd. was involved as fund management. For the Jiangguang Fund, Zhongmin Company contributed RMB70 million and had a 47% interest in the senior-tranche, and would receive a fixed return of 6.85% per annum. The Group contributed RMB80 million and owned a 53% interest of the junior-tranche.

To determine whether control exists, the Group exercises judgement and assesses whether the investments it held together with related remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that it is a principal. The funds shall be consolidated if the Group acts in the role of principal.

The financial impact of the Jiangguang Fund on the Group's financial position as at 31 December 2018, and results and cash flows for the year ended 31 December 2018, though consolidated, is not significant and therefore not disclosed separately.

Interests in the Jiangguang Fund directly held by the Group amounted to RMB80 million at 31 December 2018 (2017: RMB80 million). Interests attributable to the other interest holders are presented as finance costs in the consolidated statement of profit or loss and other comprehensive income and interests held by other interest holders are presented as financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

(c) The advances to subsidiaries are advances to intermediate holding companies, and they are unsecured, non-interest-bearing, with no fixed repayment terms and are expected to be settled in cash. The intermediate holding companies used these advances to finance their investment holdings of equity interests in the Group's indirect subsidiaries, details of which are as follows:

	2018	2017
Amounts due from:		
CNTD Shenyang	**690,897**	690,897
CNTD Wuxi	**658,053**	658,053
CNTD Changchun	**176,320**	176,320
Safewell Investment Limited	**1,513**	1,513
	1,526,783	1,526,783

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2018	2017
SGLD	PRC	27.37%	27.37%
Lenovo Wuhan	PRC	33.60%	—
CDBC Agricultural	PRC	49.00%	48.15%

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income for 2018:

	SGLD	Lenovo Wuhan	CDBC Agricultural
Revenue	266,548	15,610	—
Cost of sales	(439,122)	(5,720)	—
Profit/(loss) and total comprehensive income/(loss) for the year	111,835	36,563	(7,083)
Attributable to non-controlling interests	30,609	12,285	(3,471)
Dividends paid to non-controlling interests	—	—	—

Summarised statement of profit or loss and other comprehensive income for 2017:

	SGLD	Shenyang Lixiang	CDBC Agricultural
Revenue	880,626	—	—
Cost of sales	(384,468)	—	—
Profit/(loss) and total comprehensive income/(loss) for the year	324,364	—	(8,268)
Attributable to non-controlling interests	88,778	—	(3,981)
Dividends paid to non-controlling interests	—	—	—

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Material partly-owned subsidiaries (continued)

Summarised statement of financial position as of 31 December 2018:

	SGLD	Lenovo Wuhan	CDBC Agricultural
Current assets	1,602,335	77,859	4,972
Non-current assets	982,317	529,503	20,483
Current liabilities	(897,560)	(242,438)	(1,287)
Non-current liabilities	(240,000)	(28,361)	—
Total equity	1,447,092	336,563	24,168
Attributable to non-controlling interests	396,120	16,435	12,102

Summarised statement of financial position as of 31 December 2017:

	SGLD	Shenyang Lixiang	CDBC Agricultural
Current assets	1,750,404	—	10,411
Non-current assets	1,086,323	—	20,995
Current liabilities	(1,193,202)	—	(856)
Non-current liabilities	(298,938)	—	—
Total equity	1,344,587	—	30,550
Attributable to non-controlling interests	368,013	—	14,711

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Material partly-owned subsidiaries (continued)

Summarised cash flow information for 2018:

	SGLD	Lenovo Wuhan	CDBC Agricultural
Operating	**43,376**	**40,746**	**(5,217)**
Investing	**(910)**	**(76,167)**	**(2,244)**
Financing	**(42,812)**	**—**	**710**
Net decrease in cash and cash equivalents	**(346)**	**(35,421)**	**(6,751)**

Summarised cash flow information for 2017:

	SGLD	Shenyang Lixiang	CDBC Agricultural
Operating	144,954	597	(13,968)
Investing	26	(22)	5,662
Financing	(144,669)	7	—
Net increase/(decrease) in cash and cash equivalents	311	582	(8,306)

(e) Acquisition of Lenovo Wuhan

On 1 June 2018, CDBC New Town and Huzhou Tongchuang Jintai Huizhong Enterprise Management Partnership (Limited Partnership) ("Tongchuang LP") entered into an investment cooperation agreement, pursuant to which, among other things, (i) CDBC New Town and Tongchuang LP jointly established CCEM Huzhou in the PRC with registered capital of RMB10,000,000, owned as to 58% by CDBC New Town and 42% by Tongchuang LP; and (ii) CCEM Huzhou agreed to acquire 80% of the equity interest in Lenovo Wuhan and CDBC New Town agreed to acquire an additional 20% of the equity interest.

The major purpose of the equity transaction for the Group is to acquire a commercial property owned by the Lenovo Wuhan. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of the acquired subsidiary since 1 June 2018.

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(e) Acquisition of Lenovo Wuhan (continued)

The fair values of the assets and liabilities of Lenovo Wuhan as at the date of acquisition were:

	Notes	Fair value recognised on acquisition
Cash and cash equivalents		100,784
Other receivables		117
Other assets		15,982
Property, plant and equipment	17	483
Investment property	16	1,222,576
Account payable		(253,464)
Income tax payable		117
Deferred tax liabilities	9	(1,019)
Advance from customers		(2,058)
Other payables		(776,606)
Other liabilities		(6,912)
Fair value of the net assets acquired		300,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration*		(216,813)
Consideration prepaid in 2017	Note 21	200,000
Cash and bank balances acquired		100,784
Net inflow of cash and cash equivalents included in cash flows from investing activities		83,971

* Through the acquisition, CDBC New Town paid RMB216,813 thousand and Tongchuang LP paid RMB83,187 thousand as the total consideration of RMB300 million for Lenovo Wuhan.

Since the acquisition, Lenovo Wuhan contributed RMB20,568 thousand to the Group's revenue and RMB36,563 thousand to the consolidated profit for the year ended 31 December 2018.

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(a) Investments in joint ventures

	2018	2017
Unlisted shares	**227,136**	99,225

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

(a) Investments in joint ventures (continued)

Details of the joint ventures are as follows:

Name	Place and date of establishment	Proportion of ownership interest attributable to the Group (%) 2018	2017	Effective equity interest attributable to the Group (%) 2018	2017	Particulars of registered capital	Principal activities
Beijing Guowan Real Estate Co., Ltd. (i)	PRC 31 October 2016	**50%**	50%	**50%**	50%	RMB500 million	Real estate
Beijing Guoyuan Agriculture Co., Ltd. (ii)	PRC 12 September 2017	**50%**	50%	**50%**	50%	RMB20 million	Agriculture
Nanjing Guofa Real Estate Co., Ltd. (iii)	PRC 27 November 2017	**49%**	49%	**49%**	49%	RMB50 million	Real estate
Nanjing Guoying Zhongxi Development Co., Ltd. (iv)	PRC 27 December 2017	**50%**	—	**50%**	—	RMB220 million	Real estate
Zhejiang Kailian Investment Management Co., Ltd. (v)	PRC 28 June 2018	**50%**	—	**50%**	—	RMB10 million	Leasing and business services
Zhongke Guoyin (Wuxi) Enterprise Management Co., Ltd. (vi)	PRC 18 March 2018	**50%**	—	**50%**	—	RMB10 million	Leasing and business services

(i) In 2016, CDBC New Town and Beijing Vanke Enterprises Co. Ltd. ("Vanke BJ") entered into an agreement for the overall development of Mengtougou District Junzhuang Town Project, pursuant to which Beijing Guowan Real Estate Co., Ltd. ("Guowan") was established. As at 31 December 2017, the issued capital of Guowan was RMB100 million, which was equally contributed by both parties.

(ii) In 2017, CDBC Agricultural entered into an agreement for the overall development of Miyun District Mujiayu Town Qianliyuan Village Project, pursuant to which Beijing Guoyuan Agriculture Co., Ltd. ("Guoyuan") was established. As at 31 December 2018, the issued capital of Guoyuan was RMB15,908 thousand (2017: RMB11,136 thousand), which was equally contributed by both parties.

(iii) In 2017, CDBC Nanjing and Mingfa Group Nanjing Real Estate Development Co., Ltd. ("Mingfa Group") entered into an agreement for the overall development of Wushang Land A project which located in Yuhua District Nanjing, pursuant to which Nanjing Guofa Real Estate Co,. Ltd. ("Guofa") was established. As at 31 December 2018, the issued capital of Guofa was RMB50 million, Mingfa Group contributed RMB25.5 million, and CDBC Nanjing contributed RMB24.5 million.

(iv) In 2018, CDBC Nanjing, CNT Holding and Sichuan Zhongxi Property Co., Ltd set up a joint venture, Nanjing Guoying Zhongxi Development Co., Ltd. ("Guoying"). This joint venture was established for the investment of a bilingual school in Jiangning district. CDBC Nanjing and CNT Holding invested RMB36.74 million and RMB73.26 million respectively, representing 16.7% and 33.3% of shares.

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

(a) Investments in joint ventures (continued)

(v) In 2018, CDBC New Town and Kailian Capital Management Co., Ltd. entered into an agreement for the overall development of Jinyideyi Kindergarten Project, pursuant to which Zhejiang Kailian Investment Management Co., Ltd. ("Kailian") was established. As at 31 December 2018, the issued capital of Kailian was RMB10 million. CDBC New Town and Kailian Capital Management Co., Ltd equally contributed RMB5 million.

(vi) In 2018, CDBC Nanjing and Shanghai Zhongke Scientific Culture Group Co., Ltd entered into an agreement for the overall development of Nanchang Science and Technology Park Project of Chinese Academy of Sciences Project, pursuant to which Zhongke Guoyin (Wuxi) Enterprise Management Co., Ltd. ("Zhongke") was established. As at 31 December 2018, the issued capital of Zhongke was RMB10 million. CDBC Nanjing and Shanghai Zhongke Scientific Culture Group Co., Ltd equally contributed RMB5 million.

Summarised financial information of the joint ventures, based on their IFRS financial statements, and the reconciliation to the carrying amount of the investments in the consolidated financial statements are set out below:

Year ended 31 December 2018

	Guofa	Guowan	Guoying	Others	Total
Current assets	846,670	322,737	17,598	16,403	1,203,408
Non-current assets	273	2,918	237,767	8,070	249,028
Current liabilities	(721,234)	(235,708)	(39,020)	(4,676)	(1,000,638)
Non-current liabilities	—	—	—	—	—
Equity	125,709	89,947	216,345	19,797	451,798
Proportion of the Group's ownership	49%	50%	50%	—	—
Carrying amount of the investment	61,598	44,973	108,173	12,392	227,136

Summarised statements of profit or loss and other comprehensive income of the joint ventures:

	Guofa	Guowan	Guoying	Others	Total
Revenue	—	1,195	—	2,779	3,974
Cost of sales	—	—	—	(4,924)	(4,924)
Administrative expenses	(3,323)	(4,346)	(3,715)	(6,521)	(17,905)
Finance costs	63	355	60	7	485
Loss before tax	(3,260)	(2,796)	(3,655)	(8,659)	(18,370)
Income tax expense	—	649	—	164	813
Net loss for the year	(3,260)	(2,147)	(3,655)	(8,495)	(17,557)
Total comprehensive loss for the year	(3,260)	(2,147)	(3,655)	(8,495)	(17,557)
Group's share of loss for the year	(1,597)	(1,074)	(1,827)	(4,248)	(8,746)

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

(a) Investments in joint ventures (continued)

Year ended 31 December 2017

	Guoyuan	Guofa	Guowan	Total
Current assets	5,140	309,498	41,833	356,471
Non-current assets	6,934	—	269,491	276,425
Current liabilities	(3,227)	(210,000)	(219,230)	(432,457)
Non-current liabilities	—	—	—	—
Equity	8,847	99,498	92,094	200,439
Proportion of the Group's ownership	50%	49%	50%	—
Carrying amount of the investment	4,424	48,754	46,047	99,225

Summarised statements of profit or loss and other comprehensive income of the joint ventures:

	Guoyuan	Guofa	Guowan	Total
Revenue	120	—	186	306
Cost of sales	(595)	—	—	(595)
Administrative expenses	(1,813)	(2)	(8,484)	(10,299)
Finance costs	—	—	—	—
Loss before tax	(2,288)	(2)	(8,298)	(10,588)
Income tax expense	—	—	1,798	1,798
Net loss for the year	(2,288)	(2)	(6,500)	(8,790)
Total comprehensive loss for the year	(2,288)	(2)	(6,500)	(8,790)
Group's share of loss for the year	(1,144)	(1)	(3,250)	(4,395)

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

(b) Investments in associates

	2018	2017
Unlisted shares	**7,426**	—

Details of the associates are as follows:

Name	Place and date of establishment	Proportion of ownership interest attributable to the Group (%) 2018	Proportion of ownership interest attributable to the Group (%) 2017	Effective equity interest attributable to the Group (%) 2018	Effective equity interest attributable to the Group (%) 2017	Particulars of registered capital	Principal activities
Kaiyuan Education Fund GP Holding Limited. (i) ("GP Holding Co")	Cayman Islands 25 October 2018	**40.00%**	—	**40.00%**	—	USD2,560 thousand	Education
Kaiyuan Education Fund LP (ii) ("Kaiyuan Fund")	Cayman Islands 23 November 2017	**58.38%**	—	**58.38%**	—	USD80 million	Education

(i) In 2018, GP Holding Co was established which is in turn owned by CDB Education, China-West Education Investment Holdings Company Limited ("CWE"), Excel Access International Limited ("EAIL") and Smart Sphere Limited as to 40%, 15%, 25% and 20% respectively.

(ii) Kaiyuan Fund had been established as a whole target size of USD80 million while the initial capital commitment was USD68 million at 31 December 2018. The investment committee is comprised of four persons, of which CDB Education was entitled to nominate two persons, CWE was entitled to nominate one person and EAIL was entitled to nominate one person. To approve the resolution of meeting of the investment committee, it has to pass the simple majority of the vote of members, over half of votes. Although CDB Education has committed 58.38% of the Kaiyuan Fund, CDB Education did not have control over the Fund. However, since it has up to 50% voting rights of the investment committee, it is considered that it has significant influence over the Kaiyuan Fund. The Kaiyuan Fund was recognised as an associate of the Group.

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(continued)

(b) Investments in associates (continued)

The Group's shareholdings in the associates comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above associates have been accounted for using the equity method in the consolidated financial statements.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material and the reconciliation to the carrying amount of the investments in the consolidated financial statements:

Year ended 31 December 2018

	2018
Current assets	34,691
Non-current assets	59
Current liabilities	(16,551)
Non-current liabilities	—
Equity	18,199
Proportion of the Group's ownership	—
Carrying amount of the investment	7,426

Summarised statements of profit or loss and other comprehensive income of the associates:

	2018
Revenue	15,112
Cost of sales	—
Administrative expenses	(25,379)
Finance costs	(11)
Loss before tax	(10,278)
Income tax expense	—
Net loss for the year	(10,278)
Total comprehensive loss for the year	(10,278)
Group's share of loss for the year	(6,208)

(All amounts expressed in RMB'000 unless otherwise specified)

5. REVENUE

	Notes	2018	2017
Land development	(a)	**266,548**	880,626
Property management	(a)	**4,978**	—
Asset and fund management	(a)	**12,430**	12,004
Sale of goods		**—**	3,391
Revenue from contracts with customers	(a)	**283,956**	896,021
Rental income		**15,610**	—
Interest and similar income	(b)	**299,720**	255,773
Revenue from other sources		**315,330**	255,773
Total revenue		**599,286**	1,151,794

(a) Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Year ended 31 December 2018			
	Land development	**Urbanization development**	**Property leasing**	**Total**
Segments				
Type of goods or service				
Land development	**266,548**	**—**	**—**	**266,548**
Property management	**—**	**—**	**4,978**	**4,978**
Asset and fund management	**—**	**12,430**	**—**	**12,430**
Total revenue from contracts with customers	**266,548**	**12,430**	**4,978**	**283,956**
Timing of revenue recognition				
Services tendered over time	**266,548**	**12,430**	**4,978**	**283,956**

The Group's total revenue from contracts with customers is all derived from Mainland China.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and not previously recognised due to uncertainties on variable consideration in previous periods:

	Land development
Revenue included in beginning contract liabilities	5,042
Revenue not previously recognised due to uncertainties on variable consideration	175,794

5. REVENUE (continued)

(a) Revenue from contracts with customers (continued)

Land development for sale of SGLD

SGLD is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) in Luodian New Town. In previous years, when the land plots were sold, SGLD was entitled to receive from the local authorities a proportion of the proceeds from land sales.

On 29 December 2018, SGLD and the local government entered into a new cooperative agreement to change the cooperation model after extensive negotiations, in response to the relatively material changes of the policies since expiration of original agreement. Based on the new cooperative agreement, SGLD will continue to cooperate with the local government for the primary development of land in the Eastern Zone of the Luodian New Town, which is now targeted for completion by August 2023. However, instead of being entitled to a portion of the sales proceeds of the land as compensation under the previous arrangement, the local government will compensate SGLD as follows under the new arrangement:

- reimburse SGLD for the construction and preparation works in respect of the demolition and relocation works in the Eastern Zone, which had already been completed by SGLD in previous years, for a total consideration of RMB1,523 million. The local government shall be responsible for further outstanding demolition and relocation works in the area that might be necessary, if any, and SGLD will not bear any further costs in this regard;

- The local government has also reached an agreement with SGLD to complete outstanding construction work in the Western Zone in respect of ancillary public facilities and settle in cash of RMB371 million for the remaining ancillary public facilities in that area.

As a result of the new cooperative agreement, SGLD will receive a net amount of RMB1,151 million (RMB1,523 million less RMB371 million) as compensation for costs incurred for the Eastern Zone and to complete the constructions of agreed ancillary public facilities at the Western Zone. The contract price was allocated between the land infrastructure and ancillary public facilities components, based on their relative fair values, which were determined at RMB463 million and RMB688 million respectively. In addition, an amount of RMB86 million was separately received in 2018 as compensation for work carried out on ancillary public facilities.

As work relating to land infrastructure had already been completed in previous years, remaining revenue of RMB176 million was recognised in 2018, which was the allocated contract price of RMB463 million after deduction of the revenue that was previously recognised in 2017 of RMB287 million.

In addition, revenue of RMB91 million in respect of the ancillary public facilities was recognised in 2018, which was the allocated contract price of RMB688 million and the separately received amount of RMB86 million after deduction of the revenue that was previously recognised in 2017 of RMB362 million and that was allocated to the uncompleted portion of the ancillary public facilities of RMB321 million (contract liabilities).

(All amounts expressed in RMB'000 unless otherwise specified)

5. REVENUE (continued)

(b) The revenue from interest and similar income mainly consist of interest from debt instruments at amortised cost of RMB276,482 thousand (2017: RMB241,127 thousand), and interest similar income from investment funds of RMB23,238 thousand (2017: RMB14,646 thousand).

The detailed information of revenue from interest and similar income is as follows:

	2018	2017
Interest income		
CDB Yuhua Project	**30,132**	71,839
Danyang Public Private Partnership	**—**	14,778
Yangzhou Airport New Town Project	**36,786**	36,786
Danyang Zhongbei College Development Project	**—**	25,134
Qinhuangdao Project	**13,842**	14,067
Yangzhou Hanjiang District Infrastructure Construction Project	**26,383**	1,947
Yangzhou Xincheng River Hanjiang Branch Region Integrated Renovation Project	**19,111**	256
Yangzhou River Banks Project	**11,812**	2,333
Changzhou New-Tech Economic Development Zone	**—**	25,835
Zhenjiang Hi-tech District Affordable Housing Project	**—**	13,399
Nanchang Science and Technology Park Project of Chinese Academy of Sciences	**33,765**	—
Lianyungang Haohai R&D Centre Project	**7,282**	—
Jiangsu Xuzhou Peixian County Industrial Concentration Area Construction Project	**8,310**	—
Jiangsu Taizhou New Energy Industrial Park Project	**30,904**	—
Shandong Qingzhou MI River Comprehensive Control Project	**10,275**	—
Jiangsu Lianyungang Haizhou Bay Tourism Town Project	**9,787**	—
Jiangsu Huai'an Huaiyin District Urban Renewal Project	**9,546**	—
Yangzhou Gaoyou National Agricultural Science and Technology Park Project	**1,446**	—
Others	**27,101**	34,753
	276,482	241,127
Interest similar income		
CDB (Beijing) — BOCOMM New-Type Urbanization Development Fund	**23,238**	14,646
	299,720	255,773

(All amounts expressed in RMB'000 unless otherwise specified)

6. OTHER INCOME AND OTHER EXPENSES

Other income

	2018	2017
Interest income from bank deposits	**20,610**	35,105
Net gain on financial instruments at fair value through profit or loss	**11,215**	27,448
Fair value gain on investment property	**76,009**	—
Gain on disposal of property, plant and equipment	**4**	476
Others	**15,002**	17,473
	122,840	80,502

Other expenses

	2018	2017
Bank charges	**1,654**	121
Credit loss expenses	**13,456**	—
Write-off of other receivables	**—**	38,679
Foreign exchange loss, net	**105,041**	9,615
Others	**954**	515
	121,105	48,930

(All amounts expressed in RMB'000 unless otherwise specified)

7. EXPENSES BY NATURE

	2018	2017
Cost of land development	**439,122**	384,468
Cost of goods sold	**—**	6,778
Depreciation of property, plant and equipment	**1,821**	1,486
Amortisation of prepaid land lease payments	**157**	157
Audit fees and non-audit fees	**5,705**	7,498
Audit fees		
— Auditor of the Company	**3,860**	3,800
— Other auditors	**1,840**	2,871
Non-audit fees		
— Auditor of the Company	**—**	—
— Other auditors	**5**	827
Employee benefits	**64,092**	63,072
Utility expenses	**1,879**	755
Advertising	**7,474**	875
Rental expenses	**17,883**	16,491
Property management service expenses	**4,855**	3,821
Intermediary and professional service charges	**10,176**	11,155
Other expenses	**29,263**	20,454
Total cost of sales, selling and administrative expenses	**582,427**	517,010

8. FINANCE COSTS

	2018	2017
Interest on bank and other borrowings	**110,340**	17,387
Interest on senior guaranteed notes	**26,990**	74,994
Others	**12,378**	8,741
	149,708	101,122
Less: Interest capitalised	**—**	(1,977)
	149,708	99,145

No borrowing cost has been capitalised for the year ended 31 December 2018 (2017: weighted average rate of 4.88% per annum).

(All amounts expressed in RMB'000 unless otherwise specified)

9. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

The Company is a tax-exempted company incorporated in the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

The principal operating subsidiaries of the Company were subject to income tax at the rate of 25% on their taxable income according to the Income Tax Law of the PRC.

Mainland China — withholding tax

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

Pursuant to the laws governing the PRC Corporate Income Tax, a member of the Group, who is not a tax resident in the jurisdiction of the PRC, is subject to withholding tax at 10% on the income from Mainland China, such as interest income and gains from disposal of equity investments. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group determined that such withholding tax is an income tax in the scope of IAS 12 and has recognised such withholding tax as a tax expense in the statement of profit or loss and other comprehensive income.

The major components of income tax are:

		2018	2017
Income tax charge/(credit):			
Current income tax		**13,754**	159,511
Deferred tax		**13,109**	(33,434)
Withholding tax		**19,183**	17,375
Income tax charge in respect of current year		**46,046**	143,452
Income tax credit in respect of previous years	(a)	**(314,366)**	—
Income tax		**(268,320)**	143,452

(a) Significant judgement is required in determining the amount of income tax provision for the land development. On 29 December 2018, SGLD and the local government entered into a new cooperative agreement to change the cooperation model in Luodian New Town (details as referred in Note 5). Updated information was obtained during that negotiation with local government, as a result, the management of the Group reassessed and updated the income tax provision, mainly taking into account the scope of the deductible expenditures.

(All amounts expressed in RMB'000 unless otherwise specified)

9. INCOME TAX (continued)

A reconciliation between tax charge/(credit) in respect of current year and the product of accounting profit/(loss) multiplied by the Group's applicable income tax rate is as follows:

Year ended 31 December 2018

	CNTD and BVI companies		Mainland China		Total	
Loss before tax	(30,410)		(115,658)		(146,068)	
Tax at the statutory tax rate	(7,603)	25.0%	(28,915)	25.0%	(36,518)	25.0%
Effect of subsidiaries applying the non-statutory tax rate	7,603	(25.0%)	(17)	0.0%	7,586	(5.2%)
Non-deductible expenses for tax purposes	—	—	7,387	(6.4%)	7,387	(5.1%)
Adjustments in respect of current tax of previous periods	—	—	(6,917)	6.0%	(6,917)	4.7%
Utilisation of previously unrecognised tax losses	—	—	(33)	0.0%	(33)	0.0%
Unrecognised tax losses	—	—	55,358	(47.9%)	55,358	(37.9%)
Effect of withholding tax*	19,183	(63.1%)	—	—	19,183	(13.1%)
Income tax as reported in the statement of profit or loss and other comprehensive income	19,183	(63.1%)	26,863	18.6%	46,046	(31.5%)

* During the year ended 31 December 2018, the income from non-resident enterprises in Mainland China amounted to RMB191,826 thousand (2017: RMB173,748 thousand), therefore withholding tax expense was RMB19,183 thousand according to the 10% withholding tax rate (2017: RMB17,375 thousand).

(All amounts expressed in RMB'000 unless otherwise specified)

9. INCOME TAX (continued)

Year ended 31 December 2017

	CNTD and BVI companies		Mainland China		Total	
Profit before tax	78,025		484,791		562,816	
Tax at the statutory tax rate	19,506	25.0%	121,198	25.0%	140,704	25.0%
Effect of subsidiaries applying the non-statutory tax rate	(19,506)	(25.0%)	(9)	0.0%	(19,515)	(3.5%)
Non-deductible expenses for tax purposes	—	—	1,030	0.2%	1,030	0.2%
Adjustments in respect of current tax of previous periods	—	—	3,823	0.8%	3,823	0.7%
Utilisation of previously unrecognised tax losses	—	—	(3,740)	0.1%	(3,740)	0.1%
Unrecognised tax losses	—	—	3,775	(0.1%)	3,775	(0.1%)
Effect of withholding tax*	17,375	22.3%	—	—	17,375	3.1%
Income tax as reported in the statement of profit or loss and other comprehensive income	17,375	22.3%	126,077	26.0%	143,452	25.5%

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when the deferred tax assets and liabilities relate to income taxes, if any, levied by the same tax authority and the same taxable entity.

(All amounts expressed in RMB'000 unless otherwise specified)

9. INCOME TAX (continued)

Deferred income tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2018	2017	**2018**	2017
Deferred tax assets/(liabilities)				
Fair value change of available-for-sale financial assets	**—**	238	**—**	—
Net difference between net carrying amount of investment property and their tax base	**(21,539)**	—	**(20,520)**	
Fair value change of financial assets at fair value through profit or loss	**2,266**	(1,583)	**3,611**	977
Temporary differences of land development for sale	**—**	86,510	**(86,510)**	53,902
Accrued expenses	**6,162**	1,752	**4,410**	248
Losses available for offsetting against future taxable income	**—**	—	**—**	(31,363)
Provision for impairment of receivables	**6,008**	14,219	**(14,829)**	9,670
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**(21,151)**	(21,151)	**—**	—
Net deferred tax (liabilities)/assets	**(28,254)**	79,985		
Deferred income tax credit			**(113,838)**	33,434

Deferred tax movements:

	2018	2017
As of 1 January	**79,985**	46,313
Effect of adoption of IFRS 9	**6,618**	—
Acquisition of subsidiaries	**(1,019)**	—
Deferred tax income during the period recognised in OCI	**—**	238
Deferred tax income recognised in profit or loss		
— in respect of current year	**(13,109)**	33,434
— in respect of previous years	**(100,729)**	—
As at 31 December	**(28,254)**	79,985
Deferred tax assets	**14,436**	102,718
Deferred tax liabilities	**(42,690)**	(22,733)

(All amounts expressed in RMB'000 unless otherwise specified)

10. DIVIDENDS

The Board of Directors proposed a final dividend of HKD0.006 per ordinary share for the year ended 31 December 2018 (2017: HKD0.0116). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

With the approval of the shareholders at the annual general meeting held on 22 June 2018, the Company paid the dividend of HKD50,468 thousand in 2018 and the remaining balance of dividend payables were mainly due to CDBIH.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the years ended 31 December 2018 and 2017 included a gain of RMB254 million and a loss of RMB12,608 thousand, respectively, which have been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculations of the basic earnings per share amounts are based on the profit attributable to ordinary equity holders of the parent for the years ended 31 December 2018 and 2017.

The following reflects the earnings and share data used in the basic and diluted earnings per share calculations:

	2018	2017
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share	**83,893**	335,614
Weighted average number of ordinary shares used to calculate basic and diluted earnings per share	**9,726,246,417**	9,741,230,583
Basic and diluted earnings per share (RMB)	**0.0086**	0.0345

There were no transactions involving ordinary shares or potential ordinary shares during 2018.

Pursuant to the Company's circular dated 21 December 2016 in relation to the proposed voluntary delisting from the Official List of the SGX-ST, 119,873,330 shares had been validly tendered and cancelled on 14 February 2017.

(All amounts expressed in RMB'000 unless otherwise specified)

13. DEBT INSTRUMENTS AT AMORTISED COST

	2018	2017
CDB Yuhua Project	**—**	490,000
Yangzhou Airport New Town Project	**300,000**	300,000
Qinghuangdao Project	**150,278**	150,587
Yangzhou Hanjiang District Infrastructure Construction Project	**—**	300,000
Jiangsu Suqian Yanghe New District Packaging Industry Park Construction Project	**—**	100,000
Yangzhou Xincheng River Hanjiang Branch Region Integrated Renovation Project	**200,000**	200,000
Yanzhou Industrial Park Project	**—**	190,000
Gaoyou PPP Project	**109,040**	68,150
Yangzhou River Banks Project	**150,000**	150,000
Nanchang Science and Technology Park Project of Chines Academy of Sciences	**400,000**	—
Lianyungang Haohai R&D Centre Project	**100,000**	—
Jiangsu Xuzhou Peixian County Industrial Concentration Area Construction Project	**156,946**	—
Jiangsu Taizhou New Energy Industrial Park Project	**529,467**	—
Shandong Qingzhou MI River Comprehensive Control Project	**202,526**	—
Jiangsu Lianyungang Haizhou Bay Tourism Town Project	**306,670**	—
Jiangsu Huai'an Huaiyin District Urban Renewal Project	**307,510**	—
Yangzhou Gaoyou National Agricultural Science and Technology Park Project	**196,183**	—
Other	**136,409**	136,409
	3,245,029	2,085,146
Less: allowance for ECL	**(32,450)**	—
	3,212,579	2,085,146
Amounts due in the next 12 months classified as current assets	**847,613**	790,000
Amounts classified as non-current assets	**2,364,966**	1,295,146

As at 31 December 2018, the Group was entitled to fixed returns ranging from 7.98% to 17.07% (2017: 7.98% to 17.07%) before tax for debt instruments at amortised cost. Certain contractual arrangements of these investments are equity investments in legal form but debt securities in substance.

(All amounts expressed in RMB'000 unless otherwise specified)

13. DEBT INSTRUMENTS AT AMORTISED COST (continued)

The movements in allowance of ECLs are as follows:

	2018
At beginning of year	—
Effect of adoption of IFRS 9	**20,851**
Credit loss	**11,599**
At end of year	**32,450**

Impairment under IFRS 9 for the year ended 31 December 2018

For debt instruments at amortised cost, the Group applies a general approach in calculating ECLs. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a credit loss expected within the next 12-months is required, otherwise a credit loss expected over the remaining life of the exposure is required.

The Group has conducted an assessment of ECL according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit loss.

Impairment under IAS 39 for the year ended 31 December 2017

No objective evidence of impairment exists of the debt instruments at amortised cost as at 31 December 2017 that were considered to be impaired under IAS 39 since neither past due nor impaired.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
Unlisted equity investments		
— Cost	—	36,000
— Fair value change	—	(951)
	—	35,049

In July 2015, CDBC Nanjing, a subsidiary of the Group, entered into an agreement to purchase a 13.89% equity interest in Jiangsu Hong-tu Software Venture Capital Investment Ltd for RMB32 million with a contingent consideration up to RMB5.5 million. In November 2017, CDBC Nanjing paid the contingent consideration of RMB4 million according to the terms and conditions agreed in the share purchase agreement.

The investment was reclassified as financial assets at fair value through profit or loss on 1 January 2018 with the adoption of IFRS 9 (Note 15).

(All amounts expressed in RMB'000 unless otherwise specified)

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2018**	2017
Financial assets at fair value through profit or loss			
— Funds	(a)	**60,049**	83,600
— Wealth management products	(b)	**177,450**	458,000
— Equity instruments	(c)	**33,633**	—
— Derivatives	(d)	**5,439**	—
		276,571	541,600

(a) In June 2015, CDBC New Town, a wholly-owned subsidiary of the Company, entered into a limited partnership agreement in relation to an investment partnership, CDB (Beijing) — BOCOMM New-Type Urbanization Development Fund.

(b) In 2018, CDBC New Town invested in wealth management products issued by Shanghai Pudong Development Bank as part of cash management for the short term.

(c) The Group adopted IFRS 9 on its effective date of 1 January 2018. Available-for-sale financial assets were reclassified as financial assets at fair value through profit or loss, and subsequent changes in fair value are recognised in profit or loss.

(d) In 2018, CNT Holding entered into several cross currency swap contracts with China Construction Bank (Asia). Those cross currency swap contracts were not designated in hedge relationships, but were, nevertheless, intended to reduce the level of foreign currency exchange risks for the investments and borrowings nominated in foreign currencies.

16. INVESTMENT PROPERTY

	Year ended 31 December 2018	Year ended 31 December 2017
At beginning of year	**—**	—
Acquisition of a subsidiary	**1,222,576**	—
Subsequent expenditure	**16,659**	—
Gain from increase in fair value	**76,009**	—
At end of year	**1,315,244**	—

The investment property owned by the Group is a building located at Wuhan, China that has retail, office and car park spaces. The fair value was determined on the basis of valuation carried out by Cushman&Wakefield, an independent professionally qualified valuer. The valuation was performed based on the income approach and direct comparison approach.

In assessing the fair value of the investment property, the following main inputs have been used.

(All amounts expressed in RMB'000 unless otherwise specified)

16. INVESTMENT PROPERTY (continued)

	31 December 2018
Yield	
Office and retail, New Development International Center, Wuhan	**6.50–7.0%**
Car Park, New Development International Center, Wuhan	**3.50–4.0%**

Changes in fair values of completed investment property are recognised in profit or loss. The Group's interest in investment property at its net book value is analysed as follows:

Description and location	Existing use	Tenure	Unexpired lease term	31 December 2018
New Development International Centre, Wuhan, PRC	Office building, retail	Leasehold	44.44 years	1,315,244

The Group's investment property of New Development International Center in Wuhan is held to earn rentals, and is situated in Mainland China.

The following amounts relating to the investment property have been recognised in profit or loss:

	Year ended 31 December 2018	Year ended 31 December 2017
Rental income	**15,610**	—
Gain from increase in fair value	**76,009**	—
Other direct operating expenses	**(5,720)**	—

The investment property is pledged for an interest-bearing bank borrowing (see Note 27). The Group has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancements.

(All amounts expressed in RMB'000 unless otherwise specified)

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
Original cost				
At 1 January 2017	13,129	9,287	11,244	33,660
Additions	2,733	1,517	377	4,627
Disposals	—	(602)	(2,539)	(3,141)
At 31 December 2017	15,862	10,202	9,082	35,146
Additions	3,399	1,329	—	4,728
Acquisition of subsidiaries	—	194	303	497
Disposals	—	(31)	—	(31)
At 31 December 2018	19,261	11,694	9,385	40,340
Accumulated depreciation				
At 1 January 2017	6,447	7,425	10,556	24,428
Provided during the year	485	867	134	1,486
Disposals	—	(301)	(2,390)	(2,691)
At 31 December 2017	6,932	7,991	8,300	23,223
Provided during the year	663	938	220	1,821
Acquisition of subsidiaries	—	8	6	14
Disposals	—	(30)	—	(30)
At 31 December 2018	7,595	8,907	8,526	25,028
Net carrying amount				
At 1 January 2017	6,682	1,862	688	9,232
At 31 December 2017	8,930	2,211	782	11,923
At 31 December 2018	11,666	2,787	859	15,312

(All amounts expressed in RMB'000 unless otherwise specified)

18. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent prepaid operating lease payments and their movements are analysed below:

	2018	2017
In Mainland China, held on:		
— Leases of between 10 and 50 years	**2,238**	2,395

	2018	2017
At beginning of year	**2,395**	2,552
Amortisation charged to profit or loss	**(157)**	(157)
At the end of the year	**2,238**	2,395

19. LAND DEVELOPMENT FOR SALE

	2018	2017
At lower of cost and net realisable value:		
Mainland China — SGLD	**—**	417,329
Mainland China — Shenyang Lixiang	**880,008**	878,837
	880,008	1,296,166

Land development for sale represents the cost of land development within the districts of the new town development projects. Though the Group does not have ownership title or land use rights to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities in those new town development projects. When the land plots are sold, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales (including related public utility fees, if any).

Land development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

(All amounts expressed in RMB'000 unless otherwise specified)

20. PREPAYMENTS

	Notes	**2018**	2017
Prepayments, non-current	(a)	**—**	200,000
Prepayments, current		**3,779**	9,446
		3,779	209,446

Notes:

(a) On 28 November 2017, CDBC New Town, a wholly-owned subsidiary of the Company, Motorola (Beijing) Mobility Technologies Company (the "Vendor") and Lenovo Wuhan entered into the Equity Interest Transfer and Framework Agreement (the "Framework Agreement"), pursuant to which CDBC New Town has agreed to acquire the entire equity interest held by the Vendor in Lenovo Wuhan, at a cash consideration of RMB300 million. Pursuant to the Framework Agreement, CDBC New Town has also agreed to take assignment of the target liabilities incurred by Lenovo Wuhan in the amount of RMB620 million and CDBC New Town has agreed to be responsible for the construction costs related to the commercial property of Lenovo Wuhan in the amount of RMB320 million. According to the Framework Agreement, CDBC New Town prepaid RMB200 million for the equity transaction in 2017. The prepayment was settled in 2018 with the completion of the acquisition of Lenovo Wuhan.

21. OTHER RECEIVABLES

	Notes	**2018**	2017
Other receivables			
Wuxi Project:			
— Net disposal consideration		**59,940**	59,940
— Balances due from		**20,977**	43,977
Interest receivables from debt instruments at amortised cost		**13,479**	71,778
Due from SREI	(i)	**140,146**	227,703
Balances due from entities disposed of		**24,384**	24,384
Due from joint ventures	(ii)	**520,939**	309,634
Deposits	(iii)	**—**	133,380
Others		**18,390**	23,721
		798,255	894,517
Less: allowance for ECLs		**(7,982)**	—
Other receivables, net		**790,273**	894,517

Notes:

(i) The Group entered into a series of agreements with SREI to settle the outstanding balances regarding the Disposal Assets in 2017. As of 31 December 2018, the remaining balance due from SREI was further offset by the dividend payable and other payable to SREI which amounted to RMB87.55 million.

(ii) As at 31 December 2018, the balance due from joint ventures included shareholder's loans of RMB380 million, RMB99.45 million and RMB40 million, provided by CDBC Nanjing to Guofa, by CDBC New Town to Guowan and by CDBC Nanjing to Guoying, respectively, to facilitate their daily operations, which are interest-free and should be repayable on demand.

(iii) In 2017, CDBC New Town prepaid RMB133.38 million, from Chengdu Rural Property Exchange, as which was bid bond for the Lushan reconstruction programs in Qionglai City. The bid bond was repaid in 2018.

(All amounts expressed in RMB'000 unless otherwise specified)

22. TRADE RECEIVABLES

	2018	2017
Receivables from land development for sale	**1,554,998**	1,272,295
Others	**2,831**	3,521
	1,557,829	1,275,816
Less: allowance for ECLs	**(15,578)**	—
Trade receivables, net	**1,542,251**	1,275,816

The above balances are unsecured and interest-free. The fair values of the trade receivables as at the end of each reporting period approximate to their carrying amounts. No trade receivables were written off as of 31 December 2018 (31 December 2017: Nil).

The movements in allowance of impairment of trade receivables are as follows:

	2018
At beginning of year	**—**
Effect of adoption of IFRS 9	**12,758**
Credit loss	**2,820**
At end of year	**15,578**

Impairment under IFRS 9 for the year ended 31 December 2018

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established the provision that is based on its historical credit loss experience, adjusted for forward-looking factors to the debtors and the economic environment.

Impairment under IAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 since neither past due nor impaired.

(All amounts expressed in RMB'000 unless otherwise specified)

22. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables is as follows:

	2018 Trade receivables	Less: allowance for ECL	Trade receivables, net
Within 6 months	**1,522,683**	**(15,226)**	**1,507,457**
6 months to 1 year	**—**	**—**	**—**
1 year to 2 years	**—**	**—**	**—**
2 years to 3 years	**2,394**	**(24)**	**2,370**
Over 3 years	**32,752**	**(328)**	**32,424**
	1,557,829	**(15,578)**	**1,542,251**

	2017 Trade receivables	Less: allowance of impairment	Trade receivables, net
Within 6 months	1,234,197	—	1,234,197
6 months to 1 year	—	—	—
1 year to 2 years	3,521	—	3,521
2 years to 3 years	—	—	—
Over 3 years	38,098	—	38,098
	1,275,816	—	1,275,816

(All amounts expressed in RMB'000 unless otherwise specified)

23. CASH AND BANK BALANCES

	2018	2017
Cash on hand	**6**	61
Short-term deposits with an original maturity less than 3 months	**1,047**	295,004
Cash at banks	**661,609**	1,237,200
Cash and cash equivalents	**662,662**	1,532,265
Restricted bank deposits	**—**	—
	662,662	1,532,265

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

There were no restricted bank deposits as at 31 December 2018 (2017: Nil), which were pledged for bank borrowings.

The carrying amounts of the cash and deposits which are denominated in the following currencies are set out below:

	2018	2017
RMB equivalent of the following currencies:		
SGD	**45**	19
RMB	**619,686**	1,342,152
HKD	**25,598**	3,630
USD	**13,866**	186,464
EUR	**3,467**	—
	662,662	1,532,265

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. SHARE CAPITAL

Group and Company

	2018 Number of Shares (thousand)	2018 Amount*	2017 Number of Shares (thousand)	2017 Amount*
Ordinary shares authorised	**20,000,000**		20,000,000	
Ordinary shares issued and fully paid:				
Share capital at the end of the year	**9,726,246**	**4,070,201**	9,726,246	4,070,201

* There is no par value for the shares of the Company. In 2007, there was a share split whereby one existing share was split into 75,000 shares.

The holders of ordinary shares are entitled to receive dividends as and when they are declared by the Board of Directors and approved by the shareholders. Each ordinary share carries one vote without restrictions.

25. OTHER RESERVES

Group

	Imputed equity contribution upon reorganisation	**Capital contribution received upon the repurchase of convertible bonds**	**Others**	**Total**
At 31 December 2016 and 1 January 2017	224,032	163,433	191,805	579,270
Capital withdrawal by non-controlling interests	—	—	(10,733)	(10,733)
Share of equity changes of a joint venture other than comprehensive income	—	—	24,255	24,255
At 31 December 2017	224,032	163,433	205,327	592,792
Capital injection by non-controlling interests	—	—	101	101
Share of equity changes of a joint venture other than comprehensive income	—	—	14,441	14,441
At 31 December 2018	224,032	163,433	219,869	607,334

(All amounts expressed in RMB'000 unless otherwise specified)

25. OTHER RESERVES (continued)

Company

	Imputed equity contribution upon reorganisation	Capital contribution received upon the repurchase of convertible bonds	Others	Total
At 1 January 2017, 31 December 2017 and 2018	1,557,445	163,433	191,805	1,912,683

All other reserves are the same as those stated in the consolidated statement of changes in equity.

Nature and purpose of other reserves

Imputed equity contribution upon reorganisation

The Company applied the pooling of interest method to account for the business combination under common control that occurred on 20 December 2006. This therefore represents the difference between the Company's share of net assets of the Group and the sum of share capital and retained earnings that should be recorded as a result of applying the pooling of interest method.

Capital contribution received upon the repurchase of convertible bonds

This represents the capital contribution from SREI in connection with the Company's repurchase of convertible bonds.

Other reserves

These represent the fair value change of the equity component of certain convertible bonds issued by the Company upon their purchase of RMB191,805 thousand, the share of the equity change from the joint venture of Guofa other than other comprehensive income of RMB38,696 thousand and the equity transaction with the non-controlling interest of RMB10,632 thousand.

(All amounts expressed in RMB'000 unless otherwise specified)

26. SENIOR GUARANTEED NOTES

In May 2015, Finance I, a wholly-owned subsidiary of the Company, completed the issuance of senior guaranteed notes of RMB1.3 billion with a maturity date of 6 May 2018. The net proceeds (after deducting underwriting commissions and certain other expenses) amounted to RMB1.29 billion, intended for general corporate purposes. The senior guaranteed notes bore interest at 5.5% per annum. The senior guaranteed notes were guaranteed by the Company with credit enhancement measures, such as the keepwell deed, liquidity support and deed of equity interest purchase undertaking from CDB Capital. The senior guaranteed notes have been repaid on 30 April 2018.

The movements of the carrying amounts of senior guaranteed notes during the years ended 31 December 2018 and 2017 were as follows:

	2018	2017
At the beginning of year	**1,297,891**	1,304,973
Accrued interest expenses	**26,990**	74,994
Interest payment	**(24,881)**	(71,304)
Repayment	**(1,300,000)**	—
At the end of year	**—**	1,308,663
Accrued coupon interest (Note 29)	**—**	10,772
Categorised as current liabilities	**—**	1,297,891
Categorised as non-current liabilities	**—**	—

27. INTEREST-BEARING BANK BORROWINGS

Details of interest-bearing bank borrowings which were all denominated in RMB are as follows:

	2018	2017
Bank borrowings — secured and guaranteed	**561,159**	—
Bank borrowings — guaranteed	**1,881,033**	348,938
	2,442,192	348,938

(All amounts expressed in RMB'000 unless otherwise specified)

27. INTEREST-BEARING BANK BORROWINGS (continued)

The interest-bearing bank borrowings are repayable as follows:

	2018	2017
Within 6 months	**35,000**	35,000
6 months to 9 months	**—**	—
9 months to 12 months	**50,000**	15,000
1 year to 2 years	**369,498**	85,000
2 years to 5 years	**1,987,694**	213,938
Over 5 years	**—**	—
	2,442,192	348,938

The Group's interest-bearing bank borrowings in RMB bore interest at floating rates ranging from HIBOR plus 2.2% to 6.175% per annum for the year ended 31 December 2018 (2017: from 4.41% to 5.09% per annum).

Bank borrowings — guaranteed

As at 31 December 2018, the bank borrowings of RMB325,000 thousand were guaranteed by CDB Capital (2017: RMB348,938 thousand) and bank borrowings of USD76,968 thousand and HKD1,173,000 thousand (equivalent to RMB1,556,033 thousand) were guaranteed by the Company (2017: Nil).

Bank borrowings — secured and guaranteed

As at 31 December 2018, bank borrowings of RMB561,159 thousand (2017: Nil) were guaranteed by the Company and CCEM Huzhou as well as secured by the investment property, whose carrying amount at 31 December 2018 was RMB1.315 billion, and 80% equity interests of Lenovo Wuhan held by CCEM Huzhou and 20% equity interests of Lenovo Wuhan held by CDBC New Town.

28. TRADE PAYABLES

	2018	2017
Payable for land development for sale	**496,560**	147,464
Payable for investment property	**204,608**	—
Others	**5**	137
	701,173	147,601

An ageing analysis of the Group's trade payables is as follows:

	2018	2017
Within 1 year	**581,197**	45,640
1 to 2 years	**19,372**	23,213
Over 2 years	**100,604**	78,748
	701,173	147,601

Trade payables are non-interest-bearing.

(All amounts expressed in RMB'000 unless otherwise specified)

29. OTHER PAYABLES AND ACCRUALS

	2018	2017
Payroll and welfare	**29,958**	21,734
Accrued coupon interest on senior guaranteed notes (Note 26)	**—**	10,772
Accrued interest on bank and other borrowings	**22,597**	423
Other taxes payable:		
Business tax payable	**12,715**	12,715
Property tax payable	**1,744**	—
Land use tax payable	**47**	—
Value-added tax payable	**445**	1,628
Other miscellaneous taxes	**1,526**	2,370
Withholding tax payable	**10,713**	1,555
Receipts in excess of the Group's estimated share of land sales proceeds	**26,477**	26,477
Payable for expense incurred in application for National AAAA Tourist Attraction (Luodian New Town)	**—**	2,412
Amounts due to related parties (Note 33(a))	**321**	440
Payable for Intermediary and professional service charges	**4,860**	5,262
Balances due to entities disposed of	**—**	69
Payable for Wuxi Project	**42,250**	42,250
Payable for capital return of Shenyang Lixiang	**—**	74,919
Other borrowings from Tongchuang LP	**162,207**	—
Others	**102,937**	84,934
	418,797	287,960

Terms and conditions of the above liabilities:

- Payroll and welfare are normally settled within the next month.
- Other payables and other tax payables are non-interest-bearing and are normally settled when they are due or within one year.

(All amounts expressed in RMB'000 unless otherwise specified)

30. CONTRACT LIABILITIES AND DEFERRED REVENUE

	2018	2017
Deferred revenue arising from land development for sale	—	706,365
Contract liabilities arising from:		
Land development	442,522	—
Property management	3,136	—
	445,658	—

With the adoption of IFRS 15 on 1 January 2018, deferred revenue arising from land development was re-classified to contract liabilities from land development.

As at 31 December 2018, the contract liabilities arising from land development for sale represent the portion of amounts received or receivable from the land authorities or local governments as a result of the sales of parcels of land developed by the Group that are not yet recognised as revenue, because the developments of the ancillary public facilities of land sold are still in progress. The amounts received or receivable are non-refundable unless the Group fails to complete the development work. The contract liabilities are classified as current liabilities as the remaining development work is expected to be provided within the normal operating cycle.

31. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2018	2017
Financial liabilities at fair value through profit or loss			
— Due to other interest holders of structured entities	(a)	187,943	188,268
— Derivatives	(b)	5,613	—
		193,556	188,268

(a) As stated in Note 3b, the Group had consolidated two structured entities, the Jiangsu Fund and Jiangguang Fund. As at 31 December 2018, CIB as the senior-tranche limited partner and CDB Fund as the intermediate-tranche limited partner have contributed capital of RMB119 million to the Jiangsu Fund (2017: RMB119 million). Zhongmin Company as the sole senior-tranche limited partner has contributed capital of RMB70 million to the Jiangguang Fund (2017: RMB70 million). The interests held by other interest holders are presented as financial liabilities at fair value through profit or loss in the Group's financial statements.

(b) In 2018, CNT Holding entered into one cross currency swap contract with Shanghai Pudong Development Bank. The cross currency swap contract is not designated in hedge relationships, but is, nevertheless, intended to reduce the level of foreign currency exchange risks for the investments and borrowings nominated in foreign currencies.

(All amounts expressed in RMB'000 unless otherwise specified)

32. EMPLOYEE BENEFITS AND DIRECTORS' REMUNERATION

Employee benefits (including directors)

	2018	2017
Included in administrative expenses:		
Wages and salaries	**31,535**	25,888
Social welfare other than pensions	**6,304**	4,783
Pension — defined contribution plan	**5,481**	4,016
Staff welfare and bonuses	**20,772**	28,385
	64,092	63,072

Directors' remuneration

Details of the directors' remuneration are as follows:

	2018	2017
Fees	**1,211**	1,278
Other emoluments:		
Salaries, allowances and benefits in kind	**4,633**	3,889
Equity-settled share option expense	**—**	—
Pension scheme contributions	**34**	—
	5,878	5,167

The names of the directors and their remuneration for the year are set out below:

Year ended 31 December 2018	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Li Yao Min	**—**	**675**	**—**	**675**
Liu Heqiang	**—**	**1,205**	**—**	**1,205**
Yang Meiyu	**—**	**1,046**	**—**	**1,046**
Ren Xiaowei	**—**	**1,032**	**—**	**1,032**
Shi Janson Bing	**—**	**675**	**34**	**709**
Henry Tan Song Kok	**380**	**—**	**—**	**380**
Kong Siu Chee	**334**	**—**	**—**	**334**
Zhang Hao	**278**	**—**	**—**	**278**
E Hock Yap	**219**	**—**	**—**	**219**
	1,211	**4,633**	**34**	**5,878**

(All amounts expressed in RMB'000 unless otherwise specified)

32. EMPLOYEE BENEFITS AND DIRECTORS' REMUNERATION (continued)

Directors' remuneration (continued)

Year ended 31 December 2017	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Li Yao Min	—	693	—	693
Liu Heqiang	—	1,043	—	1,043
Yang Meiyu	—	701	—	701
Ren Xiaowei	—	759	—	759
Shi Janson Bing	—	693	—	693
Henry Tan Song Kok	408	—	—	408
Kong Siu Chee	359	—	—	359
Zhang Hao	225	—	—	225
E Hock Yap	286	—	—	286
	1,278	3,889	—	5,167

The directors have not waived any remuneration as listed above.

Five highest paid employees

The five highest paid employees of the Group during the year included two (2017: one) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (2017: four) non-director, highest paid employees for the year are as follows:

	2018	2017
Salaries, allowances and benefits in kind	**3,547**	4,756
Pension scheme contributions	**84**	89
	3,631	4,845

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

	2018	2017
RMB500,001 — RMB1,000,000	**—**	1
RMB1,000,001 — RMB1,500,000	**3**	2
RMB1,500,001 — RMB2,000,000	**—**	1
	3	4

(All amounts expressed in RMB'000 unless otherwise specified)

33. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

As mentioned in Note 1, in the opinion of the Directors, with the completion of the share subscription of CDBIH, the Company's ultimate holding company is CDB, which holds 54.98% of the issued share capital of the Company. As a result, SREI became the second largest shareholder of the Company with the ability to exert significant influence.

(a) Amounts due to related parties

	2018	2017
Other payables		
CDBIH	**—**	47
CDB Capital	**321**	393
	321	440
Dividend payables		
CDBIH	**54,356**	—

(b) Amounts due from related parties

	2018	2017
Other receivables		
Guowan	**99,470**	99,450
SREI	**140,146**	227,703
Guoyuan	**816**	184
Guofa	**380,000**	210,000
Guoying	**40,018**	—
GP Holding Co	**16**	—
Kaiyuan Investment	**619**	—
	661,085	537,337

(All amounts expressed in RMB'000 unless otherwise specified)

33. RELATED PARTY DISCLOSURES (continued)

(c) In addition to the transactions detailed in Notes 33(a) and 33(b) above, the Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017:

	Notes	**2018**	2017
Financial guarantee from CDB Capital	(i)	**325,000**	348,938
Loans paid to CDBIH	(ii)	**—**	(320,950)
Interest to CDBIH	(ii)	**—**	2,760
Interest distributed to CDB Fund	(iii)	**696**	696

Notes:

(i) During the year ended 31 December 2018, bank borrowings of RMB325,000 thousand (2017: RMB348,938 thousand) were guaranteed by CDB Capital.

(ii) CDBIH provided the Company with a three-month loan of USD75 million in October 2016 with an annual interest rate of 2.5%. On 30 December 2016, the Company repaid USD28,734 thousand of loan principal. As of 31 December 2017, the Company fully paid USD46,266 thousand in principal to CDBIH (equivalent to RMB320,950 thousand) and had also recognised an interest payable of USD541 thousand (equivalent to RMB2,760 thousand) in 2017.

(iii) On 2 March 2016, CDBC New Town and Sheng Qi IFM, wholly-owned subsidiaries of the Group, entered into a partnership agreement with CDB Fund regarding the establishment of the Jiangsu Fund. Pursuant to the agreement, the total capital amount was RMB5 billion, while the Company committed to contributing capital amounting to RMB1.05 billion in the capacity of a junior-tranche limited partner and manager, with CDB Fund as the intermediate-tranche limited partner. CDB Fund is a subsidiary of CDB capital, and is thus a related party of the Group. In 2018, Jiangsu Fund distributed interest of RMB696 thousand to CDB Fund (2017: RMB696 thousand).

(d) Compensation of key management personnel of the Group:

	2018	2017
Short-term employee benefits	**9,742**	10,806
Post-employment benefits	**108**	89
	9,850	10,895

Further details of directors' remuneration are disclosed in Note 32.

(All amounts expressed in RMB'000 unless otherwise specified)

34. COMMITMENTS

1) Capital commitments

As at 31 December 2018 and 2017, the Group mainly had capital commitments and commitments in respect of land development for sale, expenditure on investment property and various investments as follows:

	2018	2017
Commitments in respect of land development for sale		
Contracted, but not provided for	**156,603**	355,314
Authorised, but not contracted for	**3,327,324**	4,613,843
Commitments in respect of various investments		
Contracted, but not provided for	**93,427**	1,402,051
Authorised, but not contracted for	**—**	—
Commitments in respect of investment property		
Contracted, but not provided for	**49,277**	—
Authorised, but not contracted for	**—**	—
Commitments in respect of capital contribution		
Contracted, but not provided for	**202,216**	204,432
Authorised, but not contracted for	**—**	—
Total	**3,828,847**	6,575,640

The Group had significant commitments in respect of land development for sale as it had entered into two urbanization development projects in Shanghai and Shenyang and these commitments are quantified based on contracts, feasibility studies and detailed plans for the respective projects. As a result, the Group prepares cash flow budgets for major project companies annually and updates the cash flow budgets regularly.

At 31 December 2018, the Group had commitments in respect of various investments of RMB93,427 thousand (2017: RMB1,402,051 thousand).

At 31 December 2018, the Group had commitments in respect of investment property of RMB49,277 thousand (2017: Nil).

At 31 December 2018, the Group had commitments in respect of capital contribution of RMB202,216 thousand (2017: RMB204,432 thousand).

(All amounts expressed in RMB'000 unless otherwise specified)

34. COMMITMENTS (continued)

2) Operating lease commitments

The Group has entered into operating leases on certain motor vehicles and office buildings. These leases have terms of between 1 and 6 years.

Future minimum rentals payables under non-cancellable operating leases are as follows:

	2018	2017
Within 1 year	**16,995**	16,087
1 to 2 years	**5,554**	14,541
2 to 5 years	**—**	5,328
Over 5 years	**—**	—
Total	**22,549**	35,956

35. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has the following operating segments. The Group's operational assets and operations are located in Mainland China.

- Land development segment, which provides land infrastructure development, construction of ancillary public facilities;
- Urbanization development segment, which is responsible for investments in new town projects;
- Property leasing segment, which provides property leasing services of investment property; and
- Others segment, which includes the provision of other services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to the operating segments.

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

Land development revenue from the Group's share of proceeds from land sales (including related public utility fees, if any) by local authorities accounted for 100% in Shanghai (2017: 100% in Shanghai) of the revenue in the year ended 31 December 2018.

(All amounts expressed in RMB'000 unless otherwise specified)

35. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows:

	Year ended 31 December 2018					
	Land development	Urbanization development	Property leasing	Others	Adjustments and eliminations	Total
Segment results						
External sales	266,548	312,150	20,588	—	—	599,286
Intersegment sales	—	—	—	—	—	—
Total segment sales	266,548	312,150	20,588	—	—	599,286
Results						
Depreciation	(849)	(626)	(98)	(248)	—	(1,821)
Amortisation	(157)	—	—	—	—	(157)
Share of losses of joint ventures and associates	(2,671)	(269)	(1,828)	(10,186)	—	(14,954)
Fair value gain on investment property	—	—	76,009	—	—	76,009
Segment profit/(loss)	(190,976)	137,393	75,089	(17,866)	(149,708)[1]	(146,068)
Segment assets	2,529,725	4,354,356	1,402,745	704,153	14,436[2]	9,005,415
Segment liabilities	1,026,958	360,867	249,377	195,195	2,555,610[3]	4,388,007
Other disclosures						
Investments in joint ventures and associates	106,571	9,731	108,172	10,088	—	234,562
Capital expenditure[4]	1,336	401	19,622	28	—	21,387

1 Profit/(loss) for each operating segment does not include finance costs of RMB149,708 thousand.

2 Assets in segments do not include deferred tax assets of RMB14,436 thousand as these assets are managed on a group basis.

3 Liabilities in segments do not include current income tax liabilities of RMB70,728 thousand, interest-bearing bank borrowings of RMB2,442,192 thousand, and deferred tax liabilities of RMB42,690 thousand as these liabilities are managed on a group basis.

4 Capital expenditure consists of additions of property, plant and equipment of RMB4,728 thousand and investment property of RMB16,659 thousand.

(All amounts expressed in RMB'000 unless otherwise specified)

35. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows: (continued)

	Year ended 31 December 2017				
	Land development	Urbanization development	Others	Adjustments and eliminations	Total
Segment results					
External sales	880,626	267,777	3,391	—	1,151,794
Intersegment sales	—	—	—	—	—
Total segment sales	880,626	267,777	3,391	—	1,151,794
Results					
Depreciation	(638)	(571)	(277)	—	(1,486)
Amortisation	(157)	(320)	(1)	—	(478)
Share of losses of joint ventures	(3,250)	—	(1,145)	—	(4,395)
Segment profit/(loss)	439,814	221,490	657	(99,145)[1]	562,816
Segment assets	2,588,800	4,257,560	1,149,746	102,718[2]	8,098,824
Segment liabilities	1,017,429	246,590	67,215	2,162,376[3]	3,493,610
Other disclosures					
Investments in joint ventures	94,801	—	4,424	—	99,225
Capital expenditure[4]	3,132	1,398	97	—	4,627

1 Profit/(loss) for each operating segment does not include finance costs of RMB99,145 thousand.

2 Assets in segments do not include deferred tax assets of RMB102,718 thousand as these assets are managed on a group basis.

3 Liabilities in segments do not include current income tax liabilities of RMB492,814 thousand, senior guaranteed notes of RMB1,297,891 thousand, interest-bearing bank borrowings of RMB348,938 thousand, and deferred tax liabilities of RMB22,733 thousand as these liabilities are managed on a group basis.

4 Capital expenditure consists of additions of property, plant and equipment of RMB4,627 thousand.

(All amounts expressed in RMB'000 unless otherwise specified)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings and financial liabilities at fair value through profit or loss. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as debt instruments at amortised cost, financial assets at fair value through profit or loss, trade and other receivables, cash and short-term deposits, and trade and other payables which arose directly from its operations. The main risks faced by the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, including repricing risk, basis risk, yield curve risk and option risk. The Group's main interest-bearing financial assets are cash and bank balances, debt instruments at amortised cost with fixed rate, while main interest-bearing financial liabilities are interest-bearing loans with fixed rate.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit before tax. Fair value changes of the aforesaid financial instruments are not considered. The Group's equity is not affected, other than the consequential effect on the accumulated losses of the changes in profit before tax as disclosed below.

	2018	2017
Increase/(decrease) in interest rates (basis points)	**100/(100)**	100/(100)
Increase/(decrease) in profit before tax	**9,126/(9,126)**	11,022/(11,022)

Foreign currency risk arising from the rules and regulations of the foreign exchange control promulgated by the PRC government

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates, and restrictive measures were imposed by the government on foreign exchange access in order to balance the books and maintain the national currency exchange rate. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its HKD cash and bank balances of RMB25,598 thousand equivalent, USD cash and bank balances of RMB13,866 thousand equivalent, and EUR cash and bank balances of RMB3,467 thousand equivalent (Note 23). In addition, the Group has currency exposures from its USD interest-bearing bank borrowings of RMB528,250 thousand equivalent, and HKD interest-bearing bank borrowings of RMB1,027,783 thousand equivalent (Note 27).

(All amounts expressed in RMB'000 unless otherwise specified)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk arising from the rules and regulations of the foreign exchange control promulgated by the PRC government (continued)

The following table demonstrates the sensitivity to reasonably possible changes in the USD and HKD exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the carrying amount of monetary assets and liabilities). The Group's equity is not affected, other than the consequential effect on the accumulated losses (a component of the Group's equity) of the changes in the profit before tax as disclosed below.

	2018	2017
Increase/(decrease) in the USD exchange rate	**5%/(5%)**	5%/(5%)
Increase/(decrease) in profit before tax	**(25,719)/25,719**	9,323/(9,323)

	2018	2017
Increase/(decrease) in the HKD exchange rate	**5%/(5%)**	5%/(5%)
Increase/(decrease) in profit before tax	**(50,109)/50,109**	187/(187)

Credit risk

Credit risk arises from cash and bank balances, debt instruments at amortised cost, trade receivables and other receivables, the balances of which represent the maximum credit risk exposure of the Group. As at 31 December 2018 and 2017, a large portion of the net receivables was from the revenue derived from land development for sale, and there was a significant other receivable as mentioned in Note 21, which constitutes a concentration of credit risk.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECL	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Debt instruments at amortised cost	3,212,579	—	—	—	3,212,579
Trade receivables	—	—	—	1,542,251	1,542,251
Other receivables	—	—	—	790,273	790,273
	3,212,579	—	—	2,332,524	5,545,103

Further quantitative and qualitative information in respect of the Group's exposure to credit risk arising from debt instruments at amortised cost, trade and other receivables are disclosed in Notes 13, 22 and 21 respectively.

(All amounts expressed in RMB'000 unless otherwise specified)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents to have available funding through the use of bank loans, debentures and other borrowings to meet its commitments over the foreseeable future in accordance with its strategic plan.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

31 December 2018	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Contractual due date not specified**	**Total**
Interest-bearing loans and other borrowings	**—**	**30,253**	**174,148**	**2,592,624**	**—**	**—**	**2,797,025**
Trade payables	**591,235**	**—**	**—**	**—**	**—**	**109,938**	**701,173**
Financial liabilities at fair value through profit or loss	**—**	**—**	**9,811**	**197,989**	**—**	**—**	**207,800**
Other liabilities	**312,575**	**—**	**—**	**—**	**—**	**—**	**312,575**
	903,810	**30,253**	**183,959**	**2,790,613**	**—**	**109,938**	**4,018,573**

31 December 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Contractual due date not specified	Total
Interest-bearing loans and other borrowings	—	4,253	61,446	316,854	—	—	382,553
Senior guaranteed notes	—	—	1,335,750	—	—	—	1,335,750
Trade payables	133,172	—	—	—	—	14,429	147,601
Financial liabilities at fair value through profit or loss	—	—	12,860	202,186	—	—	215,046
Other liabilities	211,841	—	—	—	—	—	211,841
	345,013	4,253	1,410,056	519,040	—	14,429	2,292,791

(All amounts expressed in RMB'000 unless otherwise specified)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue bonds, issue convertible bonds or new shares.

As the Group is engaged in land development, urbanization development, and property leasing operation, it needs a substantial amount of funds. The Group manages capital by closely monitoring its gearing ratio (which is defined by management as net debt divided by capital plus net debt).

Net debt includes senior guaranteed notes, interest-bearing bank and other borrowings and excludes cash and bank balances. Equity includes equity attributable to equity holders of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2018	2017
Interest-bearing bank borrowings	**2,442,192**	348,938
Senior guaranteed notes	**—**	1,297,891
Less: Cash and bank balances	**(662,662)**	(1,532,265)
Net debt	**1,779,530**	114,564
Capital:		
Total equity	**4,617,408**	4,605,214
Capital and net debt	**6,396,938**	4,719,778
Gearing ratio	**27.82%**	2.43%

Collateral held

The Group did not hold any collateral as at 31 December 2017 and 2018.

(All amounts expressed in RMB'000 unless otherwise specified)

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets	**2018**	2017
Available-for-sale financial assets	—	35,049
Other receivables	**790,273**	894,517
Trade receivables	**1,542,251**	1,275,816
Debt instruments at amortised cost	**3,212,579**	2,085,146
Financial assets at fair value through profit or loss	**276,571**	541,600
Cash and bank balances	**662,662**	1,532,265
	6,484,336	6,364,393

Financial liabilities	**2018**	2017
Financial liabilities at fair value through profit or loss	**193,556**	188,268
Financial liabilities at amortised cost		
— Interest-bearing bank borrowings	**2,442,192**	348,938
— Senior guaranteed notes	—	1,297,891
— Trade payables	**701,173**	147,601
— Others	**312,575**	211,841
	3,649,496	2,194,539

38. FAIR VALUE AND FAIR VALUE HIERARCHY

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair value of the financial instrument. For financial instruments where there is no active market or when current market prices are not available, their fair values are determined using valuation techniques.

The Group's financial assets mainly include debt instruments at amortised cost, cash and bank balances, financial assets at fair value through profit or loss, trade and other receivables. The Group's financial liabilities mainly include senior guaranteed notes, interest-bearing bank and other borrowings, financial liabilities at fair value through profit or loss, trade and other payables. The fair values of the Group's and the Company's financial instruments are not materially different from their carrying amounts.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

(All amounts expressed in RMB'000 unless otherwise specified)

38. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

The following table shows the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of assets measured at fair value as at 31 December 2018:

			Fair value measurement using		
	Date of valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets/liabilities measured at fair value:					
Financial assets at fair value through profit or loss (Note 15)	**31 December 2018**	**276,571**	**—**	**242,938**	**33,633**
Investment property (Note 16)	**31 December 2018**	**1,315,244**	**—**	**—**	**1,315,244**
Financial liabilities at fair value through profit or loss (Note 31)	**31 December 2018**	**193,556**	**—**	**193,556**	**—**

There were no transfers of fair value measurement between Level 1 and Level 2 during the year ended 31 December 2018.

Quantitative disclosures of assets measured at fair value as at 31 December 2017:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/liabilities measured at fair value:					
Financial assets at fair value through profit or loss (Note 15)	31 December 2017	541,600	—	541,600	—
Available-for-sale financial assets (Note 14)	31 December 2017	35,049	—	—	35,049
Financial liabilities at fair value through profit or loss (Note 31)	31 December 2017	188,268	—	188,268	—

There were no transfers of fair value measurement between Level 1 and Level 2 during the year ended 31 December 2017.

(All amounts expressed in RMB'000 unless otherwise specified)

39. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1 January 2018	Cash flows	Foreign exchange movement	Others	At 31 December 2018
Interest-bearing loans and borrowings	**348,938**	**1,934,900**	**155,120**	**3,234**	**2,442,192**
Senior guaranteed notes	**1,297,891**	**(1,300,000)**	**—**	**2,109**	**—**
Financial liabilities at fair value through profit or loss	**188,268**	**—**	**5,613**	**(325)**	**193,556**
Total liabilities from financing activities	**1,835,097**	**634,900**	**160,733**	**5,018**	**2,635,748**

	At 1 January 2017	Cash flows	Foreign exchange movement	Others	At 31 December 2017
Interest-bearing loans and borrowings	796,478	(445,584)	(3,766)	1,810	348,938
Senior guaranteed notes	1,294,201	—	—	3,690	1,297,891
Financial liabilities at fair value through profit or loss	118,551	70,000	—	(283)	188,268
Total liabilities from financing activities	2,209,230	(375,584)	(3,766)	5,217	1,835,097

(All amounts expressed in RMB'000 unless otherwise specified)

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2018	2017
Assets			
Non-current assets			
Investments in subsidiaries		**4,574,583**	4,574,583
Property, plant and equipment		**47**	74
Loans and receivables		**107,950**	68,150
Other assets		**277**	349
Total non-current assets		**4,682,857**	4,643,156
Current assets			
Other receivables		**295,760**	381,391
Dividend receivables		**260,000**	—
Cash and bank balances		**10,945**	492,059
Total current assets		**566,705**	873,450
Total assets		**5,249,562**	5,516,606
Equity and liabilities			
Equity			
Equity holders of the parent:			
Share capital	24	**4,070,201**	4,070,201
Other reserves	25	**1,912,683**	1,912,683
Accumulated losses		**(885,640)**	(1,042,743)
Total equity		**5,097,244**	4,940,141
Current liabilities			
Other payables and accruals		**16,052**	14,742
Dividend payables		**54,637**	—
Amount due to subsidiaries		**81,629**	561,723
Total current liabilities		**152,318**	576,465
Total liabilities		**152,318**	576,465
Total equity and liabilities		**5,249,562**	5,516,606
Net current assets		**414,387**	296,985
Total assets less current liabilities		**5,097,244**	4,940,141

Zuo Kun
Non-executive Chairman

Liu Heqiang
Chief Executive Officer

(All amounts expressed in RMB'000 unless otherwise specified)

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Other reserves	Accumulated losses	Total reserves
As at 1 January 2017	1,912,683	(1,030,135)	882,548
Total comprehensive loss	—	(12,608)	(12,608)
As at 31 December 2017	1,912,683	(1,042,743)	869,940
Effect of adoption of IFRS 9	—	(3,212)	(3,212)
As at 1 January 2018	1,912,683	(1,045,955)	866,728
Total comprehensive income	—	253,524	253,524
Dividends	—	(93,209)	(93,209)
As at 31 December 2018	1,912,683	(885,640)	1,027,043

There were no movements in other reserves during the years ended 31 December 2018 and 2017.

41. EVENTS AFTER THE REPORTING PERIOD

As of 21 March 2019, there is no significant event occurred after the reporting period.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2019.

NEW TOWN

China New Town Development Company Limited
中國新城鎮發展有限公司

Stock Code: 1278