DoThink 德信地产

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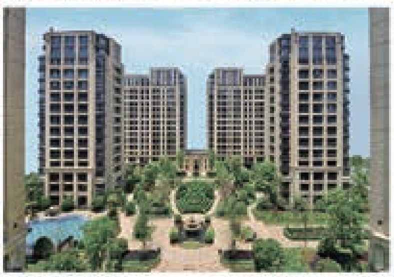
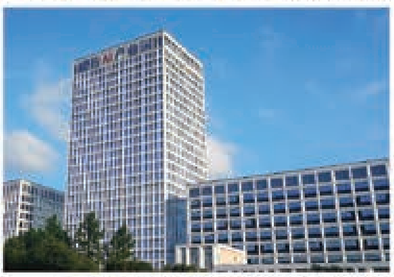
德信中国控股有限公司
Dexin China Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2019





ANNUAL REPORT

2018

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Hu Yiping *(Chairman)*
Mr. Fei Zhongmin
Ms. Feng Xia

NON-EXECUTIVE DIRECTOR

Mr. Hu Shihao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Wing Kuen Albert
Mr. Ding Jiangang
Mr. Chen Hengliu

AUDIT COMMITTEE

Dr. Wong Wing Kuen Albert *(Chairman)*
Mr. Ding Jiangang
Mr. Hu Shihao

REMUNERATION COMMITTEE

Mr. Ding Jiangang *(Chairman)*
Mr. Chen Hengliu
Mr. Fei Zhongmin

NOMINATION COMMITTEE

Mr. Hu Yiping *(Chairman)*
Mr. Ding Jiangang
Mr. Chen Hengliu

AUTHORISED REPRESENTATIVES

Ms. Feng Xia
Ms. Chau Hing Ling

COMPANY SECRETARY

Ms. Chau Hing Ling

REGISTERED OFFICE

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Grand Cayman, KY1-1002
Cayman Islands

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Zhejiang, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Corporate Information

PRINCIPAL BANKS

Industrial And Commercial Bank of China, Hangzhou Economic and Technical Development Zone Branch
Bank of China, Hangzhou Gaoxin Branch
Bank of Communications, Hangzhou Wenhui Branch
China CITIC Bank International, Hangzhou Qiantang Branch

LEGAL ADVISERS

As to Hong Kong and U.S. law:
Paul Hastings

As to PRC law:
Commerce & Finance Law Offices

As to Cayman Islands law:
Harney Westwood & Riegels

AUDITOR

PricewaterhouseCoopers

LISTING INFORMATION

Share Listing
The Company's ordinary shares are listed on the Main Board of The Stock Exchange of
Hong Kong Limited (Stock Code: 2019) on February 26, 2019

COMPANY'S WEBSITE

http://www.dothinkgroup.com

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Dexin China Holdings Company Limited (the "Company"), I am pleased to present the audited annual results and business review for the 12 months ended December 31, 2018 (the "Period under Review") and future outlook for 2019 of the Company and its subsidiaries (the "Group").

MARKET OVERVIEW

Despite of the recovery appearing in the world's major economies in 2018, the rising trade protectionism and the volatility in Eurozone have brought new uncertainties to global economic growth. In respect of the domestic economy, amid back-and-forth trade battle between China and the United States during the Period under Review, the huge potential for domestic demand growth and the positive and sound macro-control policies have effectively hedged the impact of uncertainties in the performance of economy. In 2018, the real estate industry as a whole was regulated under the overall tone of "homes are for living, not for speculation" and city-specific measures. The total volume and price of commercial housing in the country rose steadily at a significantly lower growth during the Period under Review, with different differentiation among different regional markets. In addition, in the context of financial deleveraging and reduction of off-balance-sheet financing channels, both the sellers and buyers in the real estate industry experienced a tight credit environment in 2018.

BUSINESS REVIEW

During the Period under Review, facing the changing market environment and increasingly fierce competition in the industry, the Group adhered to the strategy of steady and balanced development, and centered on the business development strategy of "one body, two wings" (一體兩翼) to continuously optimize its own business structure and enhance the overall brand effect of the Company. Thanks to these, we gained recognition from the industry and customers while achieving better business performance.

In terms of network development strategy, the Group continued to implement the layout strategy of "deeply rooted in Zhejiang Province with a presence in the Yangtze River Delta Region and the key hub cities of China" to expand cities with rich development potential and high-quality land resources. In 2018, we expanded our presence into another 3 cities. In 2018, the Group acquired 17 parcels of new lands through public tender. The Group also acquired a number of project lands through cooperation with third-party business partners. As of December 31, 2018, including those of joint ventures and associates, the Group has reserved nearly 7 million square metres of high-quality lands, which are strategically distributed in Hangzhou, Wenzhou, Nanjing, Wuhan and other regional hub cities with good population and industrial structure.

In terms of operating results, the Group delivered a satisfactory record in 2018 which is attributable to its deep insight into China's real estate market and flexible business development strategy. For the year ended December 31, 2018, contracted sales of the Group (together with its joint ventures and associates) amounted to approximately RMB39.6 billion, representing an increase of approximately 38% over 2017. The contracted sales area was approximately 2.34 million square metres. During the Period under Review, the Group recognised revenue of approximately RMB8.212 billion, representing an increase of approximately 25% over 2017. Gross profit rose by 104% on a year-on-year basis in the Period under Review. The net profit attributable to shareholders of the Company for the Period under Review was about RMB1.453 billion, up about 97% from the last year.

In terms of brand building, the Group took "Your Life Companion" ("你的生活知己") as our brand motto, adhered to the bottom line of ingenuity and quality, and actively established the quality image of "fine and distinctive Hangzhou workmanship" to continuously improve its business ability to create a better life for customers. The Group won wide recognition in the market for its average delivery rate of projects more than 97%, and top customer loyalty and satisfaction in major markets such as Hangzhou and Wenzhou.

In terms of talents and cooperation mechanism, the Group attached great importance to solicitation of talents, development of echelon and building of platform mechanism. The Group established an experienced senior management team, formed a platform mechanism of "joint creation, sharing and undertaking" and embraced a cooperation concept of openness, inclusiveness and win-win outcome, continuously stimulating the enthusiasm and creativity of every employee and partner.

The Company completed its initial public offering on February 26, 2019 and was officially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Thanks to the successful access into the international capital market, market image and industry influence of the Group were effectively improved. In addition, the funds raised through initial public offering ("IPO") enriched our capital for the future development, improved the capital and debt structure of the Group, and further promoted the improvement in the corporate governance structure and internal control management, laying a solid foundation for the rapid development of the Group in the next stage.

FUTURE OUTLOOK

Only by grasping the market trend can we win the future. To respond to the new challenges in 2019, the Group will pay close attention to the changes in the market climate, continue to act in a customer-oriented manner, focus on the balanced and steady development, realize quality growth alongside standardized control and efficient operation, and will further pursue the business model characterized by the coordinated and balanced development of "scale, brand and profit" to promote transformation of the Group from a single real estate developer to a professional integrated urban comprehensive operator.

The Group will also adhere to its corporate culture, values and core competence advantages of "developing high-quality products in proper manners while strictly complying with laws and regulations". The Group will thoroughly practice the network layout strategy of "continuing to consolidate our leading position in the markets in Zhejiang Province and expanding our presence into the Yangtze River Delta Region and key center cities of China", and will speed up the application of the business development strategy of "One Body, Two Wings". At the same time, the Group will continue to consolidate and deepen the brand motto of "Your Life Companion" and the quality influence of "fine and distinctive Hangzhou workmanship", and will strengthen the development of talents and echelons, in order to continuously enhance the core competitiveness of the Company for sustainable development. In addition, the listing will allow the Group to further improve its internal control and operational efficiency, and expand diversified financing channels, thus continuously consolidating its financial strength.

APPRECIATION

Finally, on behalf of all members of the Board of Directors, I would like to express my appreciation to all shareholders for their continuing support and all colleagues for their devotion and hard working over the past year. In 2019, the Group will also commit to creating better values for all shareholders, better life for customers, and development platform for all employees to fulfill their potential, and will provide a stage for all partners to achieve win-win development. We will make unremitting efforts to develop Dexin into a respectable enterprise with sustainable development capability.

Hu Yiping
Chairman

GENERAL OVERVIEW

In 2018, the PRC economy continued to grow steadily, along with PRC residents' consumption power as a result of urbanization, changes in the population structure as well as increases in employment rate and per capita disposable income. In general, the PRC real estate market continued to witness an increase in both overall transaction volume and price compared with 2017, while the growth rate of the industry as a whole experienced a considerable slow-down compared with past years.

As for policy orientation, the PRC government is committed to regulating the real estate industry, repeatedly emphasizing the policy tone that "homes are for living, not for speculation". At the same time, driven by de-leveraging policies in the financial market, the industry is generally faced with a tight financing situation and a cooling land investment market. With the increasing downward pressure in the second half of the year, the government started to impose differential and city-specific regulatory measures aimed to guarantee that reasonable property purchase demands are satisfied, and gradually transit from short-term regulation to long-term mechanism in respect of policies.

Confronted with the ever-changing market environment and the increasingly fierce competition in the industry, the Group adheres to the strategy of steady and balanced development and focuses on the business development strategy of "One Body Two Wings" (一體兩翼), thus constantly improving operational efficiency and business structure. As a result, the Group witnessed significant synergistic effect between different businesses and brand effect of the Company as a whole and gained wide recognition in the industry and from the clients while achieving good operation results.

BUSINESS REVIEW

The Group derives its revenue primarily from sales of properties and, to a lesser extent, property construction and project management services, lease of commercial properties and hotel operations. For the year ended December 31, 2018, the Group recorded a total revenue of approximately RMB8,212.1 million, representing a year-on-year increase of approximately 25.3%.

Contracted sales

In 2018, including those of joint ventures and associates, the Group recorded contracted sales of approximately RMB39,600 million, representing an increase of 38.0% compared to 2017, and contracted gross floor area ("GFA") sold of approximately 2,340,000 sq.m., representing an increase of 31.5% compared to 2017.

Sales of properties

In 2018, the revenue from sales of properties increased by approximately 25.1% year-on-year to approximately RMB8,130.0 million, accounting for approximately 99.0% of the total revenue of the Group. In 2018, the Group recognised total GFA of approximately 497,870 sq.m., an increase of approximately 18.6% as compared to last year. The average selling price ("ASP") of the properties recognised as property sales was approximately RMB16,330 per sq.m., representing an increase of approximately 5.4% year-on-year.

Based in Zhejiang Province, the Group continued to expand into the Yangtze River Delta Region and key hub cities during the year.

The following table sets out the recognised sales and GFA sold of each city in 2018:

City	Recognised GFA	Recognised ASP	Recognised revenue
	sq.m	RMB/sq.m.	RMB'000
Wenzhou	300,889	17,971	5,407,220
Hangzhou	15,219	32,993	502,126
Xuzhou	10,672	8,947	95,484
Huzhou	170,734	12,400	2,117,099
Jiaxing	356	22,809	8,120
Total	497,870	16,330	8,130,049

Property construction and project management services

In 2018, the revenue from property construction and project management services increased by approximately 38.5% year-on-year to approximately RMB41.1 million, accounting for approximately 0.5% of the total revenue of the Group. The increase was primarily attributable to a property management project in Ruian city, which is expected to be completed in June 2019.

Lease of commercial properties

In 2018, the revenue from rental income increased significantly by approximately 296.1% year-on-year to approximately RMB27.0 million, accounting for approximately 0.3% of the total revenue of the Group. The increase was primarily attributable to the completion Hangzhou Artificial Intelligence Industrial Park (杭州AI產業園) in 2018, which generated rental income since then.

Hotel operations

In 2018, the revenue from hotel operations income decreased by approximately 13.6% year-on-year to approximately RMB13.9 million, accounting for approximately 0.2% of the total revenue of the Group. The decrease was primarily attributable to the decline in average room rate as a result of the increase in the discount of group customers on online platforms and customers' orders.

Investment properties

As of December 31, 2018, the Group had 8 investment properties with a total GFA of approximately 301,676 sq.m.

Land reserves

Leveraging on the Group's deep understanding of the property markets in the Yangtze River Delta Region and intensive studies on its target cities, the Group continued to strategically select and acquire parcels of land at strategic and advantageous locations in those regions and cities in order to further develop the Group's presence in those markets. As of December 31, 2018, the Group had land reserves amounting to approximately 6,833,803 sq.m., with 109 projects located in 16 cities in the Yangtze River Delta Region.

The following table sets out the GFA of the Group's land reserves by geographical locations as of December 31, 2018:

City	**Total land reserves GFA** (sq.m.)	**Percentage of total land bank** (%)
Hangzhou	1,306,224	19.1%
Wenzhou	1,346,571	19.7%
Huzhou	974,386	14.3%
Taizhou	425,791	6.2%
Zhoushan	363,718	5.3%
Quzhou	547,336	8.0%
Ningbo	437,199	6.4%
Jinhua	223,835	3.3%
Lishui	174,196	2.5%
Xuzhou	447,719	6.6%
Hefei	4,181	0.1%
Changzhou	25,435	0.4%
Nanjing	78,552	1.1%
Shangrao	283,103	4.2%
Jiujiang	139,505	2.0%
Wuhan	56,052	0.8%
Total	6,833,803	100%

In 2018, the Group acquired 22 new parcels of quality land primarily in Hangzhou, Wenzhou and Huzhou, providing a total saleable GFA of new land reserves of approximately 2,344,263 sq.m., at an average land cost of approximately RMB7,007.0 per sq.m.

Particulars of the land parcels are set out in the following table:

Name of Project	City	The Group's Equity Interest	GFA (sq.m.)	Total Consideration (RMB'000)	Attributable Consideration (RMB'000)	Land Cost (RMB/sq.m.)
Qiantang Mansion (錢塘雲莊)	Hangzhou	80.0%	72,952	1,460,800.0	1,168,640.0	20,024.1
Shixin Palace (市心府)	Hangzhou	36.6%	92,753	1,113,900.0	407,687.4	12,009.3
Time Mansion (時代公館)	Hangzhou	26.5%	218,303	1,313,690.0	348,127.9	6,017.7
Xiaozheng Chu Chu (2018) No. 24 Land Parcel (蕭政儲出(2018)24號地塊)	Hangzhou	7.4%	253,484	3,596,690.0	266,155.1	14,189.0
Hang [2017] No. 95 Pengbu Unit B1/B2-17-1 Land Parcel (杭[2017]95號彭埠單元B1/B2-17-1地塊)	Hangzhou	17.2%	116,079	833,100.0	143,293.2	7,177.0
Dajiang One (大江壹號)	Hangzhou	55.5%	16,665	106,930.0	59,346.2	6,416.4
Yueqing Majestic Mansion (樂清御宸府)	Wenzhou	38.5%	82,412	691,000.0	266,035.0	8,384.7
Philippe Cloud (翡麗雲邸)	Wenzhou	26.0%	297,322	940,600.0	244,556.0	3,163.6
Aesthetic Garden (麗園)	Huzhou	34.0%	96,710	925,514.7	314,675.0	9,570.0
Central Mansion (市心府)	Huzhou	22.0%	107,239	713,470.6	156,963.5	6,653.1
Xianju Liuxianli (仙居留仙裡)	Taizhou	100.0%	20,549	18,740.0	18,740.0	912.0
Zhoushan Hancheng (舟山翰城)	Zhoushan	17.5%	167,359	943,107.5	165,043.8	5,635.2
Quzhou East Mansion (衢州東宸)	Quzhou	63.8%	73,272	401,700.0	256,284.6	5,482.3
Quzhou Celebrity Mansion (衢州君宸)	Quzhou	63.8%	90,840	530,400.0	338,395.2	5,838.8
Cloud Palace (雲董台)	Ningbo	24.4%	106,209	1,239,762.2	302,502.0	11,672.9
Xuzhou Celebrity Mansion (徐州君宸府)	Xuzhou	51.9%	50,534	176,000.0	91,344.0	3,482.8
Changzhou Celebrity Mansion (常州君宸府)	Changzhou	32.6%	65,884	600,000.0	195,600.0	9,106.9
Wuhan Courtyard in Jiangnan (武漢江南大院)	Wuhan	100.0%	56,052	179,400.0	179,400.0	3,200.6
Shangrao Celebrity Mansion 014 Land Parcel (上饒君宸府014地塊)	Shangrao	27.4%	141,002	280,800.0	76,939.2	1,991.5
Shangrao Celebrity Mansion 015 Land Parcel (上饒君宸府015地塊)	Shangrao	27.4%	140,091	283,400.0	77,651.6	2,023.0
Nanjing Xianlinzhigu Phase I (南京仙林智谷一期)	Nanjing	85.0%	62,710	54,100.0	45,985.0	862.7
Nanjing Xianlinzhigu Phase II (南京仙林智谷二期)	Nanjing	85.0%	15,842	23,200.0	19,720.0	1,464.5
Total			2,344,263	16,426,305	5,143,084.7	7,007.0

FINANCIAL REVIEW

Overall performance

During the year, total revenue of the Group was approximately RMB8,212.1 million, representing a year-on-year increase of approximately 25.3%. Gross profit was approximately RMB3,123.4 million, a year-on-year increase of approximately 103.8%. Gross profit margin was approximately 38.0%, a year-on-year increase of approximately 14.6 percentage points. Profit for the year increased by 119.3% year-on-year to approximately RMB1,841.0 million in 2018. Profit attributable to owners of the Company increased by approximately 97.1% year-on-year to approximately RMB1,453.5 million.

Revenue

For the year ended December 31, 2018, the Group recorded a total revenue of approximately RMB8,212.1 million, representing a year-on-year increase of approximately 25.3%. The increase was primarily attributable to significant growth in recognised sales of properties, driven by an increase in the Group's property projects delivered during the year. Specifically, revenue from the sales of properties was approximately RMB8,130.0 million, representing an increase of approximately 25.1% year-on-year, accounting for approximately 99.0% of the total revenue of the Group; revenue from property construction and project management services was approximately RMB41.1 million, representing an increase of approximately 38.5% year-on-year, accounting for approximately 0.5% of the total revenue of the Group; rental income from the lease of commercial properties was approximately RMB27.0 million, representing an increase of approximately 296.1% year-on-year, accounting for approximately 0.3% of the total revenue of the Group; and revenue from hotel operations was approximately RMB13.9 million, representing a decrease of approximately 13.6% year-on-year, accounting for approximately 0.2% of the total revenue of the Group.

Cost of sales

The cost of sales of the Group primarily consists of the costs incurred directly in relation to the property development and sales activities, property construction and project management services, lease of commercial properties and hotel operations.

In 2018, the cost of sales of the Group was approximately RMB5,088.7 million, representing a slight year-on-year increase of approximately 1.3%. The increase was primarily attributable to the increase in construction costs driven by the increase in sales of properties.

Gross profit

In 2018, the gross profit of the Group was approximately RMB3,123.4 million, representing a significant year-on-year increase of approximately 103.8%. The increase was primarily attributable to the significant increase in revenue from sales of properties and the gross profit margin from the sales of properties from approximately 22.9% in 2017 to 37.6% in 2018, which was driven by the higher proportion of products with high gross profit margin in projects delivered during the year as compared to that in 2017.

Other income

The Group had other income of approximately RMB37.3 million in 2018, as compared to approximately RMB62.5 million in 2017. The other income mainly represents the management and consulting services provided to the Group's joint ventures and associates in relation to the property development projects of approximately RMB33.8 million (2017: approximately RMB60.3 million).

Other gains – net

The Group recorded net other gains of approximately RMB56.7 million in 2018 (2017: approximately RMB20.8 million). The Group's net other gains in 2018 mainly included gains on financial assets at fair value through profit or loss of approximately RMB10.7 million, gains on disposal of subsidiary of approximately RMB30.0 million and exchange gain of approximately RMB10.5 million. The Group's net other gains in 2017 mainly represented the gains on financial assets at fair value through profit or loss of approximately RMB20.5 million.

Fair value gains on investment properties

The Group develops and holds certain of its commercial properties such as commercial centres, office buildings, shopping malls, serviced apartments and car parks for rental income or capital appreciation, or both. Any increase or decrease in the Group's investment property value is recognised as fair gains or losses in the Group's consolidated financial statements.

In 2018, the Group recorded fair value gains on investment properties of approximately RMB191.7 million (2017: approximately RMB226.1 million), which was primarily attributable to the continuing expansion of its investment property portfolio such as Hangzhou Artificial Intelligence Industrial Park (杭州AI 產業園), Hangzhou ONE (杭州ONE), Sky City Phase I (天空之翼一期) and Shenxian Garden (神仙居文化主題樂園).

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately 46.6% year-on-year from approximately RMB200.7 million in 2017 to approximately RMB294.3 million in 2018. The increase was primarily attributable to the increase in marketing and advertising expenses and staff cost, driven by the rapid growth in the Group's contracted sales and the number of sales staff during the year.

Administrative expenses

The Group's administrative expenses increased by approximately 72.4% year-on-year from approximately RMB262.2 million in 2017 to approximately RMB451.9 million in 2018. The increase was primarily attributable to (i) the increase in employee benefit expenses, driven by the increase in number of new development projects and the rise in staff salaries and benefits; (ii) the increase in office, travelling and entertainment expenses, driven by (a) the Group's effort to penetrate and expand to more cities in its targeted regions and (b) the increase in office expenditures associated with the increased number of projects during the year; and (iii) expenses and professional fees incurred in connection with the Global Offering.

Finance costs – net

Finance costs of the Group increased by approximately 16.7% year-on-year from approximately RMB321.4 million in 2017 to approximately RMB375.3 million in 2018. The increase was primarily attributable to the increase in borrowings for the purposes of land acquisition and properties development business.

Share of results of joint ventures and associates

The Group accounts for the results of joint ventures and associates using the equity method, which mainly represents the share of profits related to the projects delivered during the relevant period that has been offset by losses incurred by other joint ventures and associates.

Share of profits of joint ventures and associates increased significantly by approximately 261.3% year-on-year from approximately RMB160.3 million in 2017 to approximately RMB579.1 million in 2018. The increase was primarily attributable to the revenue from sales of properties of six projects that were completed and delivered during the year by the joint ventures and associates of the Group.

Income tax

Income tax expense of the Group increased by approximately 170.8% year-on-year from approximately RMB378.7 million in 2017 to approximately RMB1,025.6 million in 2018. The increase was primarily attributable to the significant increase in current LAT from approximately RMB29.6 million in 2017 to approximately RMB503.6 million in 2018, primarily because (i) the land value appreciation rate of the Group's projects whose revenue was recognised during the year was relatively high; and (ii) the land value appreciation rate of some of the Group's projects whose revenue was recognised in 2017 was under 20%, which were exempt from tax pursuant to the applicable laws and regulations of the PRC.

Profit and total comprehensive income for the year

As a result of the foregoing reasons, the Group's profit and total comprehensive income significantly increased by approximately 119.3% from approximately RMB839.4 million in 2017 to approximately RMB1,841.0 million in 2018. The profit attributable to owners of the Company increased by 97.1% from approximately RMB737.5 million in 2017 to approximately RMB1,453.5 million in 2018.

The basic and diluted earnings per share of the Company is RMB0.71 per share (2017: RMB0.37 per share).

Liquidity and financial resources

During the year ended December 31, 2018, the Group funded its operations, working capital, capital expenditure and other capital requirements primarily from cash generated from its operations, mainly including proceeds from the pre-sales and sales of properties, receipt of rental income, income generated from investment properties, as well as bank loans and borrowings from other financial institutions. For details of the maturity profile and interest rate structure, please refers to Note 30 to the consolidated financial statements of this annual report.

As of December 31, 2018, the Group had a total cash and bank balance (including restricted cash) of approximately RMB7,488.2 million as compared to approximately RMB4,115.2 million as of December 31, 2017. The increase is primarily due to the increase in proceeds from sales of properties. Substantially all of the Group's cash and bank balance are denominated in RMB.

During the year, the aggregate new bank loans obtained and other borrowings obtained by the Group amounted to approximately RMB13,240.2 million and repayment of borrowings was approximately RMB11,244.8 million. As of December 31, 2018, the Group's total borrowings amounted to approximately RMB12,131.0 million, representing an increase of approximately 19.7% compared to approximately RMB10,135.7 million as of December 31, 2017. As of December 31, 2018, certain of the Group's bank loans and other borrowings are secured by its asset portfolio which includes properties held for sale, properties under development, land use rights and equity interests in some of the Group's subsidiaries.

As of December 31, 2018, the Group had total bank facilities of approximately RMB3,782.0 million (2017: approximately RMB2,296.2 million) and unused bank facilities of approximately RMB2,338.0 million (2017: approximately RMB2,500.0 million).

Key financial ratios

As of December 31, 2018, the Group's net gearing ratio (calculated as the total borrowings net of restricted cash, cash and cash equivalents divided by total equity) was 67.6%, a decrease of 208.1 percentage points as compared with 275.7% as of December 31, 2017. The decrease was primarily attributable to the (i) increase in cash and cash equivalents balance as at December 31, 2018 and (ii) the accumulation of the Group's profits and the increase in non-controlling interests and thus an increase in the balance of total equity at December 31, 2018, which resulted in an optimised capital structure.

The Group's current ratio was calculated based on its total current assets divided by its total current liabilities as of the respective dates and remained relatively stable at 1.2 as of December 31, 2017 and 2018, respectively.

Foreign exchange risk

Substantially all of the Group's revenues and expenditures are denominated in RMB. As of December 31, 2018, the Group has not entered into any hedging transactions. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's interest rate risk arises from its long-term borrowings. As all of the Group's borrowings are denominated in RMB, the interest rates on the Group's borrowings are primarily affected by the benchmark interest rates set by the People's Bank of China, which have fluctuated significantly in recent years. The Group manages its interest rate risk by closely monitoring the trend of interest rate fluctuation and its impact on the Group's interest rate risk exposure, as well as regulating the debt portfolio of the Group.

Pledge of assets

The Group's bank and other borrowings as of December 31, 2018 of approximately RMB8,818.4 million (2017: approximately RMB6,909.5 million) were secured by certain buildings, land use rights, investment properties, equity interests of group companies, properties under development and completed properties held for sale of the Group with total carrying values of RMB19,442.2 million (2017: approximately RMB12,844.8 million).

Capital and operating lease commitments

As of December 31, 2018, the Group had commitments that are contracted but not provided in respect of property development expenditure as follows:

	As at December 31	
	2018	2017
	(RMB'000)	(RMB'000)
Property development activities	**5,664,496**	1,999,451
Property, plant and equipment	**8,622**	–
Investments in joint ventures and associates	**60,284**	132,602
Investment properties	**163,225**	162,155
Total	**5,896,627**	2,294,208

As of December 31, 2018, the future aggregate minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	As at December 31	
	2018	2017
	(RMB'000)	(RMB'000)
Not later than one year	**10,647**	7,374
Later than one year and not later than five years	**21,692**	25,119
Total	**32,339**	32,493

Financial guarantees and contingent liabilities

As of December 31, 2018, the Group's total financial guarantees are as follows:

	As at December 31	
	2018	2017
	(RMB'000)	(RMB'000)
Guarantee in respect of mortgage facilities for certain purchasers	**9,830,260**	5,453,485
Guarantee provided for the borrowings of joint ventures and associates	**1,587,410**	1,392,900
Guarantee provided for the borrowings of entities controlled by Mr. Hu Yiping	**–**	574,738
Guarantee provided for the borrowings of third parties	**459,210**	74,500
Total	**11,876,880**	7,495,623

The Group has arranged bank mortgage financing for certain purchasers of the Group's property units and provided guarantees to the relevant banks to secure repayment obligations of such purchasers. As of December 31, 2018, the maximum amount of guarantees provided by the Group to the relevant banks for the mortgage arrangements of the Group's purchasers amounted to approximately RMB9,830.3 million (2017: approximately RMB5,453.5 million). These include guarantees which will be terminated upon the earlier of the following two dates: (i) the date when the property ownership rights are transferred to the purchasers, and the related building ownership certificates to which banks are beneficiaries are registered, or (ii) the date when mortgage loans are settled between the mortgagee bank and the purchaser, under the circumstance that the purchaser pays off the purchase price in advance.

Pursuant to the terms of these guarantees, if any of the Group's property purchasers default in their repayment obligations to the banks, the Group is responsible for repaying the outstanding mortgage principal together with accrued interest and penalty owed by the defaulting purchasers to the banks and thereupon the Group is entitled to take over the legal title and possession of the relevant property units. The Group's guarantee period starts from the dates of grant of the mortgage facilities to its purchasers by the relevant banks.

The Group provided guarantee for borrowings of its joint ventures and associates, which amounted to approximately RMB1,587.4 million as of December 31, 2018 (2017: approximately RMB1,392.9 million). The relevant borrowings were primarily from banks to finance property development projects of these joint ventures and associates, whereby the land use rights of the joint ventures and associates were pledged to the banks and the Group's guarantee was provided in addition to the pledges. As the fair value of the relevant land use rights pledged by the relevant joint ventures and associates are generally higher than the borrowing amounts, the Group's credit risk exposure associated with such guarantee is contained.

The Group's guarantee for borrowings of independent third parties amounted to approximately RMB459.2 million as of December 31, 2018 (2017: approximately RMB74.5 million). These third parties mainly included the Group's suppliers and construction service providers as well as a real estate company which the Group held minority interest. The Group provides guarantees for borrowings of third parties mainly based on the Group's long-term cooperative relationship or in response to the requirements of the financial institutions. On top of the Group's guarantees, the Group, to minimise its credit risk exposure, also obtained counter-guarantees of approximately RMB459.2 million as of December 31, 2018 (2017: approximately RMB74.5 million) from the borrowers, who are the Group's suppliers and construction service providers that have maintained over 8 years of cooperative relationship with the Group's, or the controlling shareholders of real estate companies with good credit in which the Group holds 5% equity interest.

As of December 31, 2018, the Group had no other material contingent liabilities.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended December 31, 2018, the Group had undergone material acquisitions and disposals of subsidiaries and associates for the purpose of the reorganisation of the Group in preparation for the listing of shares on the Main Board of the Stock Exchange. Please refer to the Company's prospectus dated 14 February 2019 (the "Prospectus") for further details. Save as disclosed in the Prospectus, the Group did not have any material acquisitions and disposals during the year ended December 31, 2018.

Significant investment held

During the year ended December 31, 2018, there was no significant investment held by the Group.

Employee and remuneration policy

As of December 31, 2018, the Group had a total of 1,328 employees (2017: 925 employees). Total expenditure on salary and welfare of the Group's employees for the year ended December 31, 2018 amounted to approximately RMB352.9 million (2017: approximately RMB246.9 million). The Group has adopted a system of determining the remuneration of employees based on the performance of employees. In general, the Group provides competitive remuneration packages to employees, which include basic salaries, performance-based rewards and year-end bonus. The Group also pays social security insurance for the Group's employees, including medical insurance, work-related injury insurance, endowment insurance, maternity insurance, unemployment insurance and housing funds. In addition, the Group has formulated a project co-investment scheme and have adopted a share option scheme on January 11, 2019 to fully enhance the enthusiasm of the Group's employees. In terms of employee training, the Group provides consistent and systematic training to employees based on their positions and expertise, in order to enhance their expertise in real estate and their related fields.

Future outlook

Looking ahead, the PRC economic development will continue to maintain the main tone of steady growth in 2019. As real estate is a major part of macro economy, the government will focus more on city-specific measures regarding market regulation, so as to ensure the steady development of the industry as a whole, while different regional markets may further differ in performance, and liquidity is expected to improve gradually.

Faced with new challenges, the Group will pay close attention to the changes in market environment, continue to take customers' demand as its orientation and concentrate on balanced and steady development, thus deepening the implementation of the strategic network layout of "deeply rooted in Zhejiang Province with a presence in the Yangtze River Delta Region and the key hub cities of China" as well as accelerating the implementation of the "One Body Two Wings" (一體兩翼) business development strategy. The Group aims to achieve quality growth while balancing standardized control and efficient operation. In addition, the Group will keep on consolidating the brand motto "Your Life Companion" ("你的生活知己") and the quality influence of fine and distinctive Hangzhou workmanship (杭派精工), strengthening the Company's talent and team building and constantly improving the Company's core competitiveness of sustainable development.

The following table sets out the GFA breakdown of our land reserves by geographical location as of December 31, 2018:

	Completed		Under development	Future development	Total land reserves
	Saleable GFA unsold (sq.m.)	Rentable GFA held for investment (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)
Real estate projects developed by our subsidiaries					
Hangzhou	7,525	75,712	885,753	72,952	1,041,942
Wenzhou	31,734	–	1,028,581	–	1,060,315
Huzhou	188,007	13,082	535,621	126,459	863,169
Taizhou	–	–	333,218	92,573	425,791
Zhoushan	–	–	322,426	–	322,426
Quzhou	–	–	384,610	–	384,610
Ningbo	82,138	–	355,061	–	437,199
Lishui	–	–	174,196	–	174,196
Xuzhou	44,933	21,417	330,835	50,534	447,719
Hefei	4,181	–	–	–	4,181
Nanjing	–	–	–	78,552	78,552
Shangrao	–	–	283,103	–	283,103
Wuhan	–	–	–	56,052	56,052
Sub-total	**358,518**	**110,211**	**4,633,404**	**477,122**	**5,579,256**
Projects held by our joint ventures					
Hangzhou	–	–	81,150	2,474	83,624
Wenzhou	25,943	–	–	–	25,943
Zhoushan	–	–	11,665	–	11,665
Jinhua	–	–	66,201	–	66,201
Sub-total	**25,943**	**–**	**159,016**	**2,474**	**187,433**
Projects held by our associated companies					
Hangzhou	13,167	–	148,734	18,758	180,658
Wenzhou	4,005	–	256,308	–	260,313
Huzhou	–	–	87,625	23,593	111,217
Zhoushan	–	–	29,627	–	29,627
Quzhou	–	–	162,726	–	162,726
Jinhua	–	–	157,634	–	157,634
Changzhou	–	–	25,435	–	25,435
Jiujiang	–	–	–	139,505	139,505
Sub-total	**17,172**	**–**	**868,088**	**181,856**	**1,067,115**
Total	**401,632**	**110,211**	**5,660,508**	**661,452**	**6,833,803**

The following table sets forth a summary of our property projects and project phases developed, including projects and project phases held for future development as of December 31, 2018:

City	Project/Phase	Site area[1]	Completed: Total GFA Completed[2]	Completed: Saleable/ Leasable GFA[3]	Completed: GFA Unsold[4]	Completed: Rentable GFA held for Real Estate Investment[3]	Under Development: Total GFA Under Development[2]	Under Development: Saleable/ Leasable GFA[3]	Under Development: Pre-sold/ Pre-leased GFA[4]	Held for Future Development: Total Planned GFA[2]	Held for Future Development: GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)				
Hangzhou	Zenith Garden (臻園)	21,817	74,260	73,753	768	–	–	–	–	–	–	9/2010	9/2011	4/2013	75.00%
Hangzhou	North Sea Park (北海公園)	38,746	147,330	145,301	188	–	–	–	–	–	–	8/2011	4/2012	1/2015	55.00%
Hangzhou	Morning Mansion (早安)	39,864	118,381	117,517	6,569	–	–	–	–	–	–	5/2014	9/2014	11/2016	100.00%
Hangzhou	Spring Park (泊林春天)	47,840	205,776	203,358	–	–	–	–	–	–	–	6/2014	8/2014	4/2017	25.00%
Hangzhou	Qianjiang Palace (錢江府)	61,088	204,887	197,549	–	–	–	–	–	–	–	9/2014	11/2014	3/2017	40.00%
Hangzhou	East Mansion (東宸)	52,064	170,418	165,498	–	–	–	–	–	–	–	6/2015	7/2015	8/2017	60.00%
Hangzhou	East Mansion (東方星城)	48,780	173,348	170,232	6,143	–	–	–	–	–	–	2/2016	4/2016	1/2018	20.00%
Hangzhou	Celebrity Mansion (君宸)	51,920	158,564	156,675	11,988	–	–	–	–	–	–	3/2016	4/2016	6/2018	65.00%
Hangzhou	Hyde Park (海德公園)	63,677	202,715	196,474	21,690	–	–	–	–	–	–	8/2016	3/2017	10/2018	16.00%
Hangzhou	Junshang Palace (郡上藍灣)	39,578	124,437	123,106	2,251	–	–	–	–	–	–	12/2016	5/2017	10/2018	30.00%
Hangzhou	River Qiantang (大江源著)	39,212	–	–	–	–	117,133	106,768	105,366	–	–	2/2017	7/2017	9/2019	51.20%
Hangzhou	Montnorth (悦見山)	77,631	–	–	–	–	231,562	202,351	130,022	–	–	3/2018	8/2018	11/2020	12.00%
Hangzhou	Majestic Mansion (印江南)	63,742	–	–	–	–	208,332	196,536	–	–	–	4/2018	1/2019	3/2020	23.30%
Hangzhou	Sky City Phase I (天空之翼一期)	74,357	–	–	–	–	245,824	238,297	59,331	–	–	5/2018	8/2018	3/2020	62.60%
Hangzhou	Elegant Mansion (九溪雲莊)	40,884	–	–	–	–	107,516	93,977	12,434	–	–	8/2018	10/2018	6/2020	54.20%
Hangzhou	Shixin Palace (市心府)	25,318	–	–	–	–	94,227	92,753	–	–	–	8/2018	12/2018	10/2020	36.60%
Hangzhou	Dajiang One (大江壹號)	4,349	–	–	–	–	17,200	16,665	–	–	–	9/2018	1/2019	10/2020	55.50%
Hangzhou	Golden Mansion (世紀金宸)	30,739	–	–	–	–	135,390	127,325	–	–	–	11/2018	2/2019	10/2020	23.10%
Hangzhou	Bay Cloud (德信佳源金茂府)	57,802	–	–	–	–	271,774	223,819	–	–	–	8/2018	2/2019	6/2021	16.40%
Hangzhou	Sky City Phase II (天空之翼二期)	73,434					221,426	218,303				12/2018	3/2019	10/2021	26.50%
Hangzhou	Hang Zheng Chu Chu Land Parcel [2018] No.34 (杭政儲出[2018]34號地塊)	36,476									72,952	1/2019	9/2019	12/2021	80.00%
Hangzhou	Hang [2018] No.20 Jiang Village Land Parcel Unit C-29 (杭[2018]20號蔣村單元C-29地塊)	13,359									24,046	2/2019	9/2019	9/2020	10.29%

City	Project/Phase	Site area[1] (sq.m.)	Completed: Total GFA Completed[2] (sq.m.)	Completed: Saleable/ Leasable GFA[3] (sq.m.)	Completed: GFA Unsold[4] (sq.m.)	Completed: Rentable GFA held for Real Estate Investment[3] (sq.m.)	Under Development: Total GFA Under Development[2] (sq.m.)	Under Development: Saleable/ Leasable GFA[3] (sq.m.)	Under Development: Pre-sold/ Pre-leased GFA[4] (sq.m.)	Held for Future Development: Total Planned GFA[2] (sq.m.)	Held for Future Development: GFA without Land Use Right Certificates (sq.m.)	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
Hangzhou	Xiao Zheng Chu Chu Land Parcel [2018] No.24 (蕭政儲出[2018]24號地塊)	97,494									253,484	4/2019	10/2019	9/2021	7.40%
Hangzhou	Hangzhou Wings(杭州之翼)	32,214	–	–	–	–	173,406	161,517	36,617	–	–	7/2016	1/2018	12/2019	17.20%
Hangzhou	Center Hangzhou (時代之心)	16,680	–	–	–	–	113,608	104,893	44,770	–	–	8/2017	8/2018	9/2019	24.50%
Hangzhou	Hangzhou ONE (杭州ONE)	16,702	–	–	–	–	82,427	82,058	–	–	–	2/2018	N/A	8/2019	64.40%
Hangzhou	Hang [2017] No. 95 Pengbu Unit B1/B2-17-1 Land Parcel (杭[2017]95號彭埠單元B1/B2-17-1地塊)	24,398	–	–	–	–	116,562	116,079	–	–	–	7/2018	9/2019	5/2021	17.20%
Hangzhou	Artificial Intelligence Industrial Park (AI產業園)	26,931	75,712	75,712	–	75,712	–	–	–	–	–	9/2016	N/A	12/2017	99.90%
Wenzhou	Berlin Mansion (泊林公館)	21,530	74,153	71,771	5,803	–	–	–	–	–	–	8/2013	9/2013	4/2016	51.00%
Wenzhou	Aegean Coast Phase I (愛琴海岸一期)	16,818	64,882	64,021	96	–	–	–	–	–	–	12/2013	1/2014	11/2016	100.00%
Wenzhou	No. 1 Lakeside (湖濱一號)	32,111	91,810	88,197	4,042	–	–	–	–	–	–	1/2014	3/2014	12/2016	65.00%
Wenzhou	Aegean Coast Phase II (愛琴海岸二期)	22,921	88,150	87,072	–	–	–	–	–	–	–	7/2014	8/2014	5/2017	100.00%
Wenzhou	Haipai Mansion Phase I (海派嘉園一期)	28,202	102,613	101,025	2,006	–	–	–	–	–	–	9/2014	9/2014	3/2017	75.00%
Wenzhou	Haipai Mansion Phase II (海派嘉園二期)	29,452	105,162	103,797	7,062	–	–	–	–	–	–	9/2015	12/2015	1/2018	75.00%
Wenzhou	Grade Mansion (悦城)	20,752	70,610	68,096	2,905	–	–	–	–	–	–	2/2016	5/2016	5/2018	65.00%
Wenzhou	Light of the City (城市之光)	13,311	40,506	39,803	920	–	–	–	–	–	–	3/2016	4/2016	12/2017	24.50%
Wenzhou	Royal Mansion (上府)	9,023	29,613	29,293	1,438	–	–	–	–	–	–	6/2016	9/2016	6/2018	100.00%
Wenzhou	Grand Kingdom (大悦灣)	33,973	120,417	115,995	6,026	–	–	–	–	–	–	4/2016	9/2016	9/2018	55.00%
Wenzhou	Borui Palace (鉑瑞灣)	57,538	–	–	–	–	221,090	213,352	193,388	–	–	8/2016	10/2016	1/2019	75.00%
Wenzhou	Wenzhou Courtyard (鹿城大院)	21,527	58,944	57,605	2,356	–	–	–	–	–	–	9/2016	12/2016	8/2018	50.00%
Wenzhou	Yueqing Palace (樂清府)	50,862	106,511	104,608	104,608	–	–	–	–	–	–	10/2016	1/2017	10/2018	24.80%
Wenzhou	Binhu Mansion (濱湖錦園)	22,593	86,739	85,733	18,898	–	–	–	–	–	–	10/2016	11/2016	8/2018	20.00%
Wenzhou	Country Garden (府前一號)	45,107	–	–	–	–	130,116	123,326	110,249	–	–	11/2016	11/2016	1/2019	30.00%

			Completed				Under Development			Held for Future Development					
City	Project/Phase	Site area[1]	Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Real Estate Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)				
Wenzhou	Kashima A (鹿島甲第)	51,458	–	–	–	–	157,445	146,088	143,129	–	–	3/2017	3/2017	1/2019	35.00%
Wenzhou	Nine Villa (玖號院)	30,081	–	–	–	–	105,771	99,229	88,319	–	–	6/2017	8/2017	2/2020	32.00%
Wenzhou	Time Mansion (時代公館)	28,837	–	–	–	–	97,740	94,916	81,385	–	–	6/2017	8/2017	12/2019	31.00%
Wenzhou	Courtyard in Longwan (龍灣大院)	35,040	–	–	–	–	110,723	96,316	86,015	–	–	6/2017	8/2017	8/2019	36.40%
Wenzhou	Dexin SSAW Boutique Hotel (德信君亭酒店)	5,726	–	–	–	–	18,865	–	–	–	–	1/2018	N/A	7/2019	55.00%
Wenzhou	Todown (觀瀾苑)	79,964	–	–	–	–	190,793	182,517	171,097	–	–	3/2018	4/2018	3/2020	46.90%
Wenzhou	Ideal Mansion (理想之城)	65,148	–	–	–	–	227,827	215,860	78,368	–	–	4/2018	4/2018	1/2020	20.00%
Wenzhou	Gorgeous Palace (翡麗灣)	82,121	–	–	–	–	189,997	148,583	51,937	–	–	5/2018	6/2018	7/2020	28.20%
Wenzhou	Cloud Class (雲著)	24,848	–	–	–	–	95,864	93,038	53,788	–	–	5/2018	6/2018	1/2020	23.70%
Wenzhou	Majestic Mansion (御宸府)	25,314	–	–	–	–	86,151	82,412	3,837	–	–	8/2018	11/2018	3/2020	38.50%
Wenzhou	Philippe Cloud (翡麗雲邸)	90,199	–	–	–	–	308,171	297,322	27,748	–	–	9/2018	12/2018	3/2021	26.00%
Huzhou	Xishan Luxury (溪山美墅)	105,650	174,058	172,755	1,407	–	–	–	–	–	–	3/2008	6/2008	6/2012	100.00%
Huzhou	Delan Square (德藍廣場)	18,400	82,777	82,138	13,209	13,082	–	–	–	–	–	12/2009	12/2010	9/2014	100.00%
Huzhou	Gentle House (一里洋房)	47,540	100,416	92,877	622	–	–	–	–	–	–	11/2010	4/2011	9/2013	100.00%
Huzhou	Berlin Mansion (泊林公館)	55,942	181,787	180,528	12,549	–	–	–	–	–	–	9/2011	2/2012	12/2014	100.00%
Huzhou	Shang Cheng (上城)	47,345	124,167	122,216	7,153	–	–	–	–	–	–	1/2013	4/2013	12/2015	50.00%
Huzhou	Yingxi Courtyard (英溪大院)	62,423	93,074	92,481	1,142	–	–	–	–	–	–	12/2016	3/2017	11/2018	50.00%
Huzhou	Eminent Mansion (郡望)	62,204	152,889	151,925	151,925	–	–	–	–	–	–	3/2017	6/2017	12/2018	70.00%
Huzhou	Xingchen Mansion (星辰蘭園)	26,361	–	–	–	–	55,079	43,316	41,888	–	–	5/2017	8/2017	12/2019	20.00%
Huzhou	Yunxi Mansion(雲溪雅苑)	18,500	–	–	–	–	39,157	38,787	–	–	–	9/2017	9/2019	6/2019	28.30%
Huzhou	Times Square (時代廣場)	86,729	–	–	–	–	240,431	238,885	17,258	–	–	9/2017	11/2018	12/2019	32.30%
Huzhou	Yunxi Villa (雲溪洋房)	58,307	–	–	–	–	111,495	110,292	103,968	–	–	10/2017	1/2018	6/2019	42.50%
Huzhou	Dothink Major (潯莊)	29,848	–	–	–	–	70,995	69,914	18,128	–	–	1/2018	7/2018	8/2019	88.80%
Huzhou	Chunfeng Courtyard (春風里)	31,632	–	–	–	–	76,171	69,265	61,014	–	–	2/2018	4/2018	8/2019	96.20%

City	Project/Phase	Site area[1]	Completed				Under Development			Held for Future Development		Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
			Total GFA Completed[2]	Saleable/ Leasable GFA[3]	GFA Unsold[4]	Rentable GFA held for Real Estate Investment[3]	Total GFA Under Development[2]	Saleable/ Leasable GFA[3]	Pre-sold/ Pre-leased GFA[4]	Total Planned GFA[2]	GFA without Land Use Right Certificates				
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)				
Huzhou	East Mansion (東宸)	52,528	–	–	–	–	148,024	141,185	90,921	–	–	3/2018	5/2018	12/2019	31.50%
Huzhou	Fengxi Villa (鳳栖雲廬)	66,969	–	–	–	–	188,981	184,618	31,077	–	–	8/2018	10/2018	6/2021	9.60%
Huzhou	Gaofeng Village Project (高峰村項目)	74,373								29,749		1/2019	6/2019	12/2020	100.00%
Huzhou	Aesthetic Garden (麗園)	48,355								96,710		1/2019	5/2019	12/2020	34.00%
Huzhou	Central Mansion (市心府)	54,714								107,239		1/2019	2/2019	10/2020	22.00%
Taizhou	Jiangshan Mansion Phase I (江山一品一期)	22,762	–	–	–	–	67,282	65,646	56,497	–	–	6/2017	9/2017	5/2019	26.50%
Taizhou	Jiangshan Mansion Phase II (江山一品二期)	50,819	–	–	–	–	116,266	104,978	49,820	–	–	11/2017	1/2018	3/2019	26.50%
Taizhou	Xihu Yunzhuang (西湖雲莊)	92,318	-	–	–	–	93,007	92,276	13,947	48,270		4/2018	12/2018	6/2020	100.00%
Taizhou	Shenxian Garden Phase I (神仙居文化主題樂園一期)	80,050	–	–	–	–	56,663	56,663	–	23,757		6/2018	3/2019	10/2020	100.00%
Taizhou	Shenxian Garden Phase II (神仙居文化主題樂園二期)	15,804								20,546		1/2019	5/2019	12/2019	100.00%
Zhoushan	Zhoushan Palace (舟山府)	49,064	–	–	–	–	132,533	129,921	122,716	–	–	5/2017	8/2017	11/2019	86.10%
Zhoushan	Majestic Mansion (紫宸)	46,458	–	–	–	–	114,314	112,831	48,959	–	–	4/2018	4/2018	4/2020	32.30%
Zhoushan	Celebrity Mansion (君宸)	26,871	–	–	–	–	75,579	74,347	15,496	–	–	4/2018	6/2018	12/2019	32.30%
Zhoushan	Golden Mansion (金麟府)	27,863	–	–	–	–	57,462	56,404	18,340	–	–	6/2018	7/2018	4/2020	20.30%
Zhoushan	Hancheng (翰城)	52,577	–	–	–	–	169,299	167,359	4,553	–	–	9/2018	12/2018	7/2021	17.50%
Quzhou	Gion (宸園)	150,606	73,937	73,937	–	–	345,490	333,795	329,033	–	–	8/2016	11/2017	4/2019	47.10%
Quzhou	Yuexin House (悅鑫府)	46,474	–	–	–	–	109,605	96,877	92,652	–	–	10/2017	11/2017	5/2019	23.70%
Quzhou	Yuerong House (悅蓉府)	40,411	–	–	–	–	108,737	102,008	96,772	–	–	11/2017	11/2017	6/2019	23.80%
Quzhou	East Mansion (東宸)	31,668	–	–	–	–	74,306	73,272	2,226	–	–	9/2018	12/2018	4/2020	63.80%
Quzhou	Celebrity Mansion (君宸)	39,510	–	–	–	–	91,962	90,840	6,428	–	–	9/2018	11/2018	6/2020	63.80%
Ningbo	East Mansion (東宸)	26,451	82,998	82,138	82,138	–	–	–	–	–	–	7/2016	12/2016	11/2018	30.00%
Ningbo	Celebrity Mansion (君宸)	44,974	–	–	–	–	109,435	93,637	89,602	–	–	11/2017	1/2018	6/2019	34.00%

Management Discussion and Analysis

City	Project/Phase	Site area[1]	Completed: Total GFA Completed[2]	Completed: Saleable/ Leasable GFA[3]	Completed: GFA Unsold[4]	Completed: Rentable GFA held for Real Estate Investment[3]	Under Development: Total GFA Under Development[2]	Under Development: Saleable/ Leasable GFA[3]	Under Development: Pre-sold/ Pre-leased GFA[4]	Held for Future Development: Total Planned GFA[2]	Held for Future Development: GFA without Land Use Right Certificates	Actual/ Estimated Construction Commencement Time[5]	Actual/ Estimated Pre-sale Commencement Time[6]	Actual/ Estimated Completion Time[7]	The Group's Interest[8]
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)				
Ningbo	Courtyard in Jiangnan (江南大院)	53,908	–	–	–	–	134,104	128,940	19,552	–	–	4/2018	7/2018	1/2020	31.40%
Ningbo	Cloud Palace (雲董台)	40,044	–	–	–	–	111,522	106,209	–	–	–	9/2018	3/2019	1/2021	24.40%
Jinhua	Park ONE (公園壹號)	134,795	-	–	–	–	265,549	173,117	134,223	–	–	5/2017	5/2017	1/2019	33.00%
Jinhua	Courtyard in Jiangnan (江南大院)	92,511	–	–	–	–	264,805	257,328	186,608	–	–	11/2017	12/2017	10/2019	25.00%
Jinhua	Celebrity Mansion (君宸)	73,946	–	–	–	–	232,342	226,260	96,036	–	–	5/2018	6/2018	6/2019	17.00%
Jinhua	Lake Mansion (濱湖印象花園)	47,489	–	–	–	–	128,710	124,884	40,468	–	–	5/2018	6/2018	12/2019	23.70%
Lishui	Lake Courtyard (元湖一號)	74,068	–	–	–	–	174,196	149,579	142,410	–	–	2/2017	5/2017	1/2019	51.00%
Xuzhou	Sky Scraper A (九龍城A地塊)	148,861	311,824	310,197	14,861	21,417	–	–	–	–	–	12/2010	6/2011	12/2015	100.00%
Xuzhou	Sky Scraper B (九龍城B地塊)	143,400	273,789	272,911	30,072	–	52,006	51,218	–	–	–	4/2013	4/2013	2/2019	100.00%
Xuzhou	Imperial Cullinan (瓏璽台)	101,149	–	–	–	–	278,829	255,256	69,339	–	–	3/2018	5/2018	6/2020	64.00%
Xuzhou	Celebrity Mansion (君宸)	15,460								50,534		1/2019	3/2019	6/2020	51.90%
Hefei	Splendor City (麗晶城)	55,917	165,684	159,077	4,181	–	–	–	–	–	–	3/2006	8/2006	3/2010	72.00%
Changzhou	Celebrity Mansion (君宸)	26,768	–	–	–	–	78,020	65,884	–	–	–	9/2018	12/2018	12/2020	32.60%
Nanjing	Nanjing Xianlinzhigu Industrial Park – Phase I (南京仙林智谷產業園一期)	24,119	–	–	–	–	–	–	–	62,710		1/2019	12/2019	12/2019	85.00%
Nanjing	Nanjing Xianlinzhigu Industrial Park – Phase II (南京仙林智谷產業園二期)	12,186	–	–	–	–	–	–	–	15,842		1/2019	12/2019	12/2019	85.00%
Shangrao	Celebrity Mansion (君宸)	82,400	–	–	–	–	283,103	281,093	34,975	–	–	8/2018	9/2018	5/2020	27.40%
Jiujiang	Jiujiang Mansion (九江印)	317,057								697,525		1/2019	5/2019	8/2020	20.00%
Wuhan	Wuhan P (2018) No. 48 Land Parcel (武漢P(2018)48號地塊)	25,478								56,052		1/2019	5/2019	12/2020	100.00%

Notes:

1 Data on land area shall be excerpted from the information contained in the relevant land use rights certificate and housing title certificate (or real estate title certificate) or, if there is no relevant land use rights certificate, from the data on site area in the land grant agreement.

2 With respect to the GFA, the data on a completed project shall be excerpted from the housing title certificate (or real estate title certificate) or documents of acceptance; the data on a project under development or planning shall be excerpted from the information (with a deviation of no more than 3% from the actual GFA) contained in the relevant construction work planning permit or construction work commencement permit or, if there is no construction work planning permit, from the data on the capacity building area in the land grant agreement.

3 Leasable GFA refers to the area from which rental income can be generated.

4 A property is considered as "sold" after the Group entered into the relevant purchase agreement with and has delivered it to the customer. A property is deemed to have been delivered to the customer after it has passed the acceptance check. A property is considered as "pre-sold" in the event that the Group has entered in the relevant purchase agreement but has not yet delivered it to the customer.

5 Refers to the date on which the Group obtained the construction work commencement permit or the date estimated by the Group.

6 Refers to the date on which the Group obtained or is expected to obtain the pre-sale permit of the project, based on the internal records of the Group.

7 Refers to the date on which acceptance examination upon completion is obtained or the expected date of completion.

8 Based on the actual equity interests held by the Group in the relevant project companies pursuant to the PRC legal opinion.

BOARD OF DIRECTORS

Our Board consists of 7 Directors, of whom 3 are executive Directors, 1 is an non-executive Director and 3 are independent non-executive Directors. Our Board is responsible for and has general powers for the management and conduct of our business.

Executive Directors

Mr. Hu Yiping (胡一平), aged 52, is the founder of our Group and has been our Director since January 16, 2018. He was re-designated as an executive Director and the chairman of our Board on August 14, 2018. He is the chairman of the nomination committee. He was also appointed as a director of Tak Yick International Limited ("Tak Yick") and Dexin Holding (Hong Kong) Limited ("Dexin HK") on February 7, 2018 and March 22, 2018, respectively. He is also a director of certain members of the Group. Mr. Hu Yiping is the father of Mr. Hu Shihao, our non-executive Director and one of our Controlling Shareholders. He is also one of our Controlling Shareholders. Mr. Hu Yiping is primarily responsible for overall development and investment strategies and major business decisions of our Group. He has around 23 years of experience in the PRC real estate industry. He established Dexin Real Estate Group Co., Ltd ("Dexin Real Estate") on September 1, 1995 and has been the director and chairman of the board of directors since then.

Mr. Hu Yiping is the vice president of the Zhejiang Province Real Estate Industry Association* (浙江省房地產協會). He is also the chairman of Huzhou Chamber of Commerce in Hangzhou* (杭州市湖州商會). Mr. Hu Yiping graduated from Zhejiang School of Construction* (浙江省建築工業學校) in Zhejiang, the PRC in January 1987 with a diploma degree (中專學歷) in Civil Engineering Specialty (工民建專業), and from Zhejiang Yu Cai Workers' University (浙江育才職工大學) in Zhejiang, the PRC in June 1995 with an associate degree (大專學歷) in Architecture. He also obtained his bachelor's degree (本科學歷) in Financial Management (online course) from Tianjin University (天津大學) in Tianjin, the PRC in 2013. He also obtained his executive master of business administration (EMBA) from Xiamen University in Xiamen, the PRC in September 2018. He also obtained a qualification for senior economist issued by Zhejiang Human Resources and Social Security Department* (浙江省人力資源和社會保障廳) in December 2007. He also obtained a qualification for engineer issued by Personnel Department of Huzhou* (湖州市人事局) in September 1996.

Mr. Fei Zhongmin (費忠敏), aged 49, has been our Director since January 16, 2018. He was re-designated as an executive Director and was appointed as our president on August 14, 2018. He is responsible for business operation, day-to-day management and daily business decisions of our Group. He is also a director of certain members of the Group. He has over 22 years of experience in the PRC real estate industry. He joined our Group as a project manager of Dexin Real Estate in August 1997. Since then, he served various positions in Dexin Real Estate and other subsidiaries of our Company, including vice president, executive vice president, president and director, during which his responsibilities included participating in the formulation of our Group's strategy and the day-to-day management.

Mr. Fei graduated from Zhejiang Yu Cai Workers' University* (浙江育才職工大學) in Zhejiang, the PRC in January 1995 with an associate degree (大專學歷) in Architecture. He also obtained his executive master of business administration (EMBA) from Shanghai Jiaotong University (上海交通大學) in Shanghai, the PRC in June 2013. He also obtained a qualification for engineer issued by Personnel Department of Shaoxing* (紹興市人事局) in November 2006.

Ms. Feng Xia (馮霞), aged 42, has been our Director since January 16, 2018. She was re-designated as an executive Director and was appointed as our vice president on August 14, 2018. She is primarily responsible for management of financial and administrative affairs of our Group. She has been serving as the vice president of Dexin Real Estate since December 2013, primarily responsible for management of financial and administrative affairs. She is also a director of certain members of the Group. She has over 12 years of experience in the PRC real estate industry.

Ms. Feng graduated from Shijiazhuang Tiedao College* (石家莊鐵道學院) in Heibei, the PRC in June 1999 with a bachelor's degree in Heating, Ventilation and Air Conditioning Engineering. She also obtained her master's degree in Accountancy from Zhejiang University* (浙江大學) in Zhejiang, the PRC in March 2006. She has also obtained the qualification for intermediate accountant issued by Personnel Bureau of Hangzhou* (杭州市人事局) in October 2009.

Ms. Feng joined Dexin Real Estate in April 2011, and has been the vice president of Dexin Real Estate since December 2013. Prior to joining Dexin Real Estate, she was the financial manager of project companies of Zhejiang Lvxi Real Estate Group Co., Ltd.* (浙江綠西房地產集團有限公司), a joint venture of Greentown China Holdings Limited (綠城房地產集團有限公司) which is listed on the Stock Exchange with stock code 3900 and engaged in property development and sales, and she was primarily responsible for the financial management of Qingshanhu Rose Garden project from May 2009 to April 2011. She was the financial manager of Zhejiang Zheda Insigma Group Co., Ltd.* (浙江浙大網新集團有限公司), which is engaged in property development, and she was primarily responsible for the project financial control and financial management from April 2006 to April 2009.

Non-executive Director

Mr. Hu Shihao (胡詩豪), aged 24, was appointed as our non-executive Director on August 14, 2018. He was also appointed as a director of Dexin HK on March 22, 2018. Mr. Hu Shihao is a member of the audit committee. He is the son of Mr. Hu Yiping who is our executive Director and one of our Controlling Shareholders. He is also one of our Controlling Shareholders. Mr. Hu Shihao is primarily responsible for providing advice on the financial affairs of our Group. He has over four years working experience in the real estate industry.

Mr. Hu Shihao graduated from Boston College in Massachusetts, the United States in May 2018 with a bachelor's degree in Finance. He is currently doing a master degree in Property Development in Columbia University in New York City, New York, the United States and is expected to graduate in May 2019.

Independent non-executive Directors

Dr. Wong Wing Kuen Albert (王永權), aged 67, has been our independent non-executive Director since January 11, 2019. He is primarily responsible for providing independent advice on the operations and management of our Group. Dr Wong is the chairman of the audit committee. He has 25 years of experience in accounting. Dr. Wong is the principal consultant of KND Associates CPA Limited, Hong Kong, a private professional auditing firm in Hong Kong, and is responsible for administration, operation, audit and corporate taxation since January 2018. He is currently an Independent Non-executive Director of APAC Resources Limited (stock code:1104), Solargiga Energy Holdings Limited (stock code: 757), China Merchants Land Limited (stock code: 978), China VAST Industrial Urban Development Company Limited (stock code: 6166), China Wan Tong Yuan (Holdings) Limited (stock code: 8199), Capital Finance Holdings Limited (stock code: 8239) and China Medical & HealthCare Group Limited (stock code: 383), all are listed on The Stock Exchange of Hong Kong Limited.

Dr. Wong was the managing director of Charise Financial Planning Limited, a private professional consulting firm in Hong Kong, and was responsible for administration and operation from October 2005 to January 2014. He was the principal consultant of KND & Co., CPA Limited, a private professional auditing firm in Hong Kong, and was responsible for administration, operation, audit and corporate taxation from January 2014 to December 2017.

Dr. Wong obtained his bachelor's degree in Commerce from a joint program held by Shenzhen University (深圳大學) in Shenzhen, the PRC and Clayton University in Missouri, the United States of America in May 1990. He also obtained a bachelor's degree in Business Management (online course) and a master's degree in Business Administration (online course) from Nottingham Trent University in Nottingham, the United Kingdom in December 2005 and December 2007, respectively. He also obtained his doctoral degree in Philosophy in Business Administration from the Bulacan State University, Republic of the Philippines in December 2010.

Dr. Wong was elected or admitted and has remained as member of a number of institutions, including being a fellow member of The Taxation Institute of Hong Kong since January 1999, a fellow member of The Institute of Certified Public Accountants in Ireland since August 2000, a fellow member of The Hong Kong Institute of Chartered Secretaries since February 2002, a member of The Chartered Institute of Arbitrators since May 2002, a fellow member of The Institute of Chartered Secretaries and Administrators since September 2002, a fellow member of Association of International Accountants since September 2005 and a member of the Hong Kong Securities and Investment Institute since November 2012.

Mr. Ding Jiangang (丁建剛), aged 55, has been our independent non-executive Director since January 11, 2019. He is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Ding is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. He has over 5 years of research experience in the PRC real estate industry. He graduated from Xi'an Metallurgy and Architecture College* (西安冶金建築學院) in Xi'an, the PRC in June 1983 with a bachelor's degree in Civil Engineering Specialty (工民建專業). Since May 2014, Mr. Ding has been the director* (院長) of Zhejiang Daily Media Real Estate Institute* (浙報傳媒地產研究院), which is engaged in provision of market analysis of real estate industry, and is responsible for research on real estate policy and real estate market.

Prior to joining our Group, Mr. Ding was the director* (院長) of Transparent Market Institute* (透明市場研究院), which is engaged in provision of market analysis of real estate industry, and was responsible for research on real estate policy and real estate market from March 2013 to May 2014. He was the assistant manager (副主任) of the economic department of, and the deputy editor (副總編輯) of the website Live in Hangzhou* (住在杭州) of, Zhejiang Online News Website Co., Ltd.* (浙江在線新聞網站有限公司), which is engaged in online news publication and he was responsible for researching financial properties and providing commentaries thereon from September 2008 to March 2013. He was the journalist and producer of Zhejiang Radio & TV Group* (浙江廣播電視集團), which is engaged in publication and sales of newspaper, magazines and video, and he was responsible for production of property programs from April 1989 to September 2008. He was the teacher and the leader of teaching and research group of building structure of Zhejiang Construction Industrial College* (浙江省建築工業學校) and was responsible for teaching building structure courses and management of the teaching and research group from November 1985 to April 1989.

Mr. Chen Hengliu, aged 64, has been our independent non-executive Director since January 11, 2019. He is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Chen is a member of each of the remuneration committee and the nomination committee. He has 12 years of experience in the PRC real estate industry. Since November 2006, Mr. Chen has been the vice president of Sunac China Holdings Limited (融創中國控股有限公司), a company listed on the Stock Exchange with stock code 1918 and engaged in property development), and the chairman of its Southeast regional branch, and he is responsible for the group's human resources and the development strategies of the Southeast regional branch.

Prior to joining our Group, Mr. Chen was the general manager of the United States subsidiary(ies) of China Sciences Group (Holding) Co., Ltd.* (中科實業集團(控股)有限公司), which is engaged in the procurement and sales of technological products, and he was responsible for corporate development and human resources from 1994 to 1997. He was the assistant to the general manager (總經理助理) and the manager of the development department (發展部經理) of Legend Holdings Corporation (聯想控股股份有限公司) (previously known as Chinese Academy of Sciences Computer Technology Research Institute Technology Development Company* (中國科學院計算技術研究所科技發展公司)), a company listed on the Stock Exchange with stock code 3396 and engaged in research and development and manufacture of computer products, and he was responsible for corporate development and human resources from 1988 to 1990. He was the assistant researcher of the Research Center of Contemporary Science History of the Institute for History of Natural Sciences of Chinese Academy of Sciences* (中國科學院自然科學史研究所近現代科學史研究室), which is engaged in research in science history, and he was responsible for research of history of contemporary technology development from 1985 to 1987.

Mr. Chen graduated from Beijing Normal University* (北京師範大學) in Beijing, the PRC in July 1982 with a bachelor's degree in Science (理學). He also obtained his master's degree in Science (理學) from Graduate University of Chinese Academy of Sciences (中國科學院研究生院) in Beijing, the PRC in May 1985.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The biography of each of our senior management member is set out below.

Mr. Fei Zhongmin (費忠敏), aged 49, is our executive Director and president. For details of his biography, please refer to "– Board of Directors – Executive Directors" in this section.

Ms. Feng Xia (馮霞), aged 42, is our executive Director and vice president. For details of her biography, please refer to "– Board of Directors – Executive Directors" in this section.

Ms. Fang Jing (方靜), aged 44, was appointed as our executive vice president on August 14, 2018. She is primarily responsible for marketing and sales, customer services and business management of our Group. She was the vice president of Dexin Real Estate from February 2012 to July 2014, and has been serving as the executive vice president of Dexin Real Estate since July 2014, primarily responsible for marketing and sales and customer services management. In addition, Ms. Fang was the sales director (營銷總監), project general manager and general manager of Hangzhou region of Dexin Real Estate, primarily responsible for sales, customer services, project management and regional company's operation management from February 2006 to February 2012. She was the director of Dexin Real Estate (Quzhou) Co., Ltd.* (德信地產(衢州)有限公司), primarily responsible for major business decisions from April 2016 to May 2018. She has 18 years of experience in the PRC real estate industry.

Prior to joining our Group in February 2006, Ms. Fang was the operational manager of Hangzhou Woaiwojia Real Estate Agent Co., Ltd.* (杭州我愛我家房地產經紀有限公司), which is engaged in agency service of sale and purchase of commodity properties, and she was responsible for management of property leasing and sales from October 1999 to December 2002. She was the head of sales management department of Hangzhou Shengshi Weiye Real Estate Agent Co., Ltd.* (杭州盛世偉業房地產代理有限公司), which is engaged in agency service of sale and purchase of commodity properties, she was responsible for sales management from December 2002 to February 2006.

Ms. Fang graduated from Zhejiang University* (浙江大學) in Zhejiang, the PRC in June 1996 with a bachelor's degree in Inorganic Nonmetal Material Engineering. She also obtained her executive master of business administration (EMBA) from Zhejiang University* (浙江大學) in Zhejiang, the PRC in December 2015.

Mr. Zhang Ce (張策), aged 48, was appointed as our vice president on August 14, 2018. He is primarily responsible for daily design management of our Group and in charge of our product centre. He has been serving as the vice president of Dexin Real Estate since February 2012, primarily responsible for product design, research and development. He has over 20 years of experience in the PRC real estate industry.

Prior to joining our Group in April 2010, Mr. Zhang was the chief engineer of Lianyungang Xiangyi Group Co., Ltd.* (連雲港香溢集團有限公司) (formerly known as Lianyungang Xiangyi Real Estate Development Co., Ltd.* (連雲港香溢房地產開發有限公司)), which is engaged in property development and property leasing, and he was responsible for property design and engineering management from October 2007 to September 2009. He was the deputy general manager of Zhongyi Group Co., Ltd.* (中毅集團有限公司) (formerly known as Zhejiang Zhongyi Investment Co., Ltd.* (浙江中毅投資有限公司)), which is engaged in industrial investment* (實業投資), and he was responsible for design work management from May 2005 to December 2009. He was the director* (所長) of Lianyungang Architectural Design Research Institute Limited Liability Company* (連雲港市建築設計研究院有限責任公司), which is principally engaged in design drawings, and he was responsible for architectural design and department management from July 1992 to March 2005.

Mr. Zhang graduated from Wuhan Urban Construction Institute* (武漢城市建設學院) (currently known as Huazhong University of Technology* (華中科技大學)) in Wuhan, the PRC in July 1992 with a bachelor's degree in Engineering in Architecture Profession. He also obtained his master's degree in Business Administration from China Europe International Business School (中歐國際工商學院) in Shanghai, the PRC in August 2016. He has also obtained the qualification for senior architect issued by Human Resource Bureau of Jiangsu Province in November 2004 and qualified as the State's Registered Class One Architect (國家一級註冊建築師) issued by The National Administration Board of Architectural Registration in March 2009.

Mr. Shi Binbin (施斌斌), aged 41, was appointed as our vice president on August 14, 2018. He is primarily responsible for investment and market research and analysis of our Group. He has been serving as the vice president of Dexin Real Estate since February 2017, primarily responsible for market research and strategic investment. He has over 16 years of experience in the PRC real estate industry.

Mr. Shi joined our Group in October 2001 and served as the deputy general manager of the engineering department of Dexin Real Estate from October 2001 to December 2007. He is also a director of certain members of the Group. He also served as the general managers of a number of subsidiaries of our Company, including Wenzhou Dexin Real Estate Co., Ltd., Wenzhou Dexin Wutian Real Estate Co., Ltd., Wenzhou Dexin Guangjing Real Estate Co., Ltd. and Wenzhou Dexin Ecological Park Real Estate Co., Ltd., Wenzhou Dexin Mingcheng Real Estate Co., Ltd., Wenzhou Dexin Jintian Real Estate Co., Ltd. and Wenzhou Dexin Kaicheng Real Estate Co., Ltd. from July 2013 to February 2017. He then served as the manager of the engineering department of Guangde Sanshihede Real Estate Co., Ltd.* (廣德三獅和德置業有限公司) (a joint venture company of our Company which is held by Dexin Real Estate, Shanghai Hechen Investment Co., Ltd.* (上海禾臣投資有限公司) (an Independent Third Party) and Hangzhou Erjian as to 40%, 35% and 25% and engaged in property development and sale) from January 2008 to December 2010. He served as the deputy general manager of Changxing Dexin Real Estate Co., Ltd.* (長興德信置業有限公司) from January 2011 to March 2013. He then served as the general manager of Wenzhou Dexin Real Estate Co., Ltd. and a region company in Wentai (溫台區域公司) of Dexin Real Estate from April 2013 to December 2016.

Prior to joining our Group in 2001, he was the construction officer of Zhejiang Yuexing Construction Engineering Co. Ltd.* (浙江越興建設工程有限公司) (formerly known as Zhejiang Changxing No. 3 Construction Engineering Company* (浙江省長興縣第三建築工程公司)), which is engaged in industrial and civil construction engineering, and he was responsible for project construction management from July 1997 to February 2001.

Mr. Shi graduated from Zhejiang Construction Industrial College* (浙江省建築工業學校) in Zhejiang, the PRC in July 1997 with a diploma degree (中專學歷) in Industrial and Civil Construction (工業與民用建築). He also obtained his bachelor's degree (本科學歷) in Civil Engineering (online course) from Chongqing University (重慶大學) in Chongqing, the PRC in July 2011. He also obtained a qualification for engineer issued by Personnel Department of Shaoxing* (紹興市人事局) in December 2005.

Mr. Gu Liqiang (顧立強), aged 44, was appointed as our vice president on August 14, 2018. He is primarily responsible for operation, engineering and cost control of our Group. He has been serving as the vice president of Dexin Real Estate since February 2017, primarily responsible for operation, engineering and cost control. He has over 20 years of experience in the PRC real estate industry.

Prior to joining our Group in February 2017, Mr. Gu was the deputy general manager of Xuzhou Vanke Real Estate Co., Ltd.* (徐州萬科房地產有限公司) (a subsidiary of China Vanke Co., Ltd.* (萬科企業股份有限公司), which is a PRC residential property developer listed on both the Shenzhen Stock Exchange with stock code 000002 and the Stock Exchange with stock code 2202 ("Vanke")), which is engaged in property development, and he was responsible for engineering, cost, procurement, construction application and related affairs from February 2013 to February 2017. He also worked in several other property development companies in the PRC including (i) the director of Xuzhou Wanke City Real Estate Co., Ltd.* (徐州萬科城置業有限公司) and Xuzhou Wanchen Real Estate Co., Ltd.* (徐州萬宸置業有限公司) and (ii) the director, chairman and general manager of Xuzhou Dingjun Real Estate Co., Ltd.* (徐州鼎郡置業有限公司), Xuzhou Dingshang Real Estate Co., Ltd.* (徐州鼎尚置業有限公司) and Xuzhou Dingxu Real Estate Co., Ltd.* (徐州鼎旭置業有限公司) from October 2014 to January 2017, during which his primarily responsibilities included attending board meetings and directing and implementing daily production operation and management of companies under the leadership of the board. He was project chief manager and department head of engineering department of Zhejiang Vanke Nandou Real Estate Co., Ltd.* (浙江萬科南都房地產有限公司) (a subsidiary of Vanke), which is engaged in property development, and he was responsible for overall project management and engineering management of project companies from May 2010 to February 2013. He was the project manager of China Overseas Real Estate (Hangzhou) Co., Ltd.* (中海地產(杭州)有限公司), which is engaged in property construction, and he was responsible for overall project management from June 2007 to May 2010. He was the assistant manager of the engineering department of Shenzhen China Overseas Construction Co., Ltd.* (深圳中海建築有限公司), which is engaged in property construction, and he was responsible for building system for construction quality, building system for standardization and management of progress of projects under development, quality and safety from July 2006 to June 2007. He served various positions in China Railway 22 Bureau Six Company* (中鐵二十二局六公司), which is engaged in provision of building materials, including technician, technical director (技術負責人), project deputy manager and project manager, and he was responsible for engineering management of projects from July 1996 to July 2004.

Mr. Gu graduated from Beijing Jiaotong University (北京交通大學) in Beijing in July 2004 with a bachelor's degree (本科學歷) in Civil Engineering (online course). He also obtained his master's degree in Fluid Machinery and Engineering from Harbin Institute of Technology (哈爾濱工業大學) in Harbin, the PRC in July 2006. He has also obtained the qualification for civil engineer issued by China State Construction Engineering Corporation* (中國建築工程總公司) in December 2008.

COMPANY SECRETARY

Ms. Chau Hing Ling (周慶齡), aged 44, was appointed as the company secretary of our Company on May 18, 2018. She joined Corporate Services of Vistra Corporate Services (HK) Limited since June 2013, and now serves as a director of Corporate Services, where she leads a team of professional staff to provide a full range of company secretary services. Ms. Chau has over 16 years of experience in the corporate services industry. Prior to joining Vistra Corporate Services (HK) Limited, she was the associate director of corporate secretarial of an international corporate services provider.

Ms. Chau is also currently the company secretary or joint company secretary of several companies listed on the Stock Exchange. Ms. Chau received a master of laws majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries since May 2013.

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2018.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on January 16, 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's ordinary shares (the "**Shares**") were listed on the Stock Exchange on February 26, 2019 (the "**Listing Date**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries established in the PRC are primarily engaged in the property development and construction services, property investment and hotel operations in the PRC.

The activities and particulars of the Company's subsidiaries are shown under Note 37 to the consolidated financial statements. An analysis of the Group's revenue and net results for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. The review and discussion form part of this directors' report.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to developing good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. We reinforce business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Group's environmental policies and performance for the year ended December 31, 2018 will be included in an environmental, social and governance report to be published by the Company and will be uploaded to the websites of the Company and the Stock Exchange within three months after the publication date of this annual report.

RESULTS AND DIVIDEND

The consolidated financial results of the Group for the year ended December 31, 2018 are set out on pages 70 to 163 of this annual report.

The Board has resolved not to recommend the payment of any final dividend for the year ended December 31, 2018.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**"), details of which are disclosed as follows:

Purpose

This Dividend Policy sets out the principles and guidelines that the Company will apply when considering the declaration and payment of dividends to the shareholders of the Company.

Principles and guidelines

The Company may, subject to the Cayman Companies Law, from time to time in a general meeting declare dividends in any currency to be paid to the shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board.

The Board may from time to time determine to pay to the shareholders of the Company such interim dividends as appear to the Board to be justified by the profits of the Company.

The Board has the discretion to declare dividends to the shareholders of the Company, subject to the articles of the association of the Company and all applicable laws and regulations, taking into account the factors set out below:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- taxation considerations;
- any contractual, statutory and regulatory restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Review of the Dividend Policy

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

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, May 29, 2019 to Monday, June 3, 2019, both days inclusive, during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 AGM. In order to be eligible to attend and vote at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, May 28, 2019.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 164 of this report.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 37 to the consolidated financial statements on pages 158 to 161 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2018 are set out in Note 14 to the consolidated financial statements on page 125 to 126 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2018 are set out in Note 26 to the consolidated financial statements on page 144 to 145 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2018 are set out in Note 27 to the consolidated financial statements on page 145 and Note 28 to the consolidated financial statements on page 146 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2018, the Company's distributable reserves were RMB1,700.7 million.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at December 31, 2018 are set out in Note 30 to the consolidated financial statements on page 147 to 149 of this annual report.

LOAN AND GUARANTEE

During the year ended December 31, 2018, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective associates (as defined in the Listing Rules).

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

The shares of the Company were first listed on the Main Board of the Stock Exchange on the Listing Date. Neither the Company nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during the period from the Listing Date to the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

USE OF NET PROCEEDS FROM THE IPO

The net proceeds from the Listing amounted to HK$1,562.2 million after deducting the underwriting fees and commissions and other listing expenses borne by the Company. None of the net proceeds raised from the Listing were applied as at the date of this annual report. As at the date of this annual report, the Directors are not aware of any material change to the planned use of the proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. In 2019, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds.

An analysis of the planned usage of net proceeds as stated in the Prospectus and the actual utilization of the net proceeds for the period from the Listing Date up to the date of this annual report and the intended use of the proceeds are set out as below:

Business objective as stated in the Prospectus	**Planned use of net proceeds** [1] HK$'million	**Actual use of net proceeds during the period from the Listing Date to the date of this annual report** HK$'million	**Proceeds unused** HK$'million
For the development of some of the existing property projects	937.3	–	937.3
For land acquisition and construction costs	468.7	–	468.7
For general corporate and working capital purposes	156.2	–	156.2

Notes:

1. As disclosed in the Prospectus, the estimated net proceeds from the listing, after deduction of the underwriting fees and commissions and expenses paid by the Company in connection therewith, were approximately HK$1,367.8 million. The actual net proceeds received by the Company were approximately HK$1,562.2 million. The Company intends to adjust the difference of approximately HK$194.4 million to each business strategies in the same proportion as the original funds applied as shown in the Prospectus.

DIRECTORS

The Board currently consists of the following seven Directors:

Executive Directors

Mr. Hu Yiping *(Chairman)*
Mr. Fei Zhongmin
Ms. Feng Xia

Non-executive Director

Mr. Hu Shihao

Independent non-executive Directors

Dr. Wong Wing Kuen Albert
Mr. Ding Jiangang
Mr. Chen Hengliu

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company as at the date of this annual report are set out on pages 24 to 29 in the section headed "Biographical Details of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Hu Yiping, Mr. Fei Zhongmin and Ms. Feng Xia, being the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date.

Mr. Hu Shihao, being the non-executive Director, has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date.

Each of Dr. Wong Wing Kuen Albert, Mr. Ding Jiangang and Mr. Chen Hengliu, being the independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "Related Party Transactions and Connected Transaction" and "Management Discussion and Analysis" and Note 36 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2018 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2018 or subsisted at the end of the year.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the sections headed "Related Party Transactions and Connected Transaction" and "Management Discussion and Analysis" and Note 36 to the consolidated financial statements contained in this annual report, no transaction, arrangement or contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2018.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments (including the discretionary bonuses) of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 8 to the consolidated financial statements on pages 118 to 121 of this annual report.

For the year ended December 31, 2018, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2018.

The Company has also adopted the Share Option Scheme as incentive for Directors and eligible employees. Details of the said scheme are set out under the section headed "Share Option Scheme" in this annual report.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2018, by the Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DEED OF NON-COMPETITION

On February 1, 2019, each of the Controlling Shareholders entered in to the Deed of Non-competition in favor of the Company, pursuant to which, among other things, each of the Controlling Shareholders has, among other things, irrevocably and unconditionally undertaken, jointly and severally given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with the Controlling Shareholders – Deed of Non-competition" in the Prospectus.

The Controlling Shareholders confirmed that they have complied with the Deed of Non-competition during the period from the Listing Date to the date of this annual report. The independent non-executive Directors have conducted a review for the period from the Listing Date to the date of this annual report and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters as disclosed in the section headed "Directors' service contracts" in this annual report, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended December 31, 2018.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2018.

SHARE OPTION SCHEME

On January 11, 2019, the Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward employees, Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 263,200,000 Shares, but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the total number of Shares in issue for the time being.

The Share Option Scheme will remain in force for a period of 10 years from January 11, 2019 and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before Listing); and (iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option.

No options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme during the period from the Listing Date to the date of this annual report and there were no outstanding share options under the Share Option Scheme during the period from the Listing Date and up to the date of this annual report.

A summary of the terms of the Share Option Scheme has been set out in the section headed "D. Share Option Scheme" in Appendix VI of the Prospectus.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at the date of this annual report, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long/short position in ordinary Shares

Name of Director	Capacity	Number of ordinary Shares interested(1)	Approximate percentage+ of the Company's issued share capital
Mr. Hu Yiping(2)	Interest in controlled corporation	1,974,000,000 (L)	73.07%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The entire issued share capital of Tak Yuan International Limited ("Tak Yuan") is held by Mr. Hu Yiping, therefore Mr. Hu Yiping is deemed to be interested in all the Shares held by Tak Yuan by virtue of the SFO. Since Mr. Hu Yiping owns 92% of Tak Shin International Limited ("Tak Shin"), Mr. Hu Yiping is also deemed to be interested in all the Shares held by Tak Shin by virtue of the SFO.

\+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at the date of this annual report.

(ii) Interests in associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of shares	Percentage of shareholding interest
Mr. Hu Yiping	Tak Shin[2]	Beneficial owner	460 (L)	92.00%
Mr. Hu Shihao	Tak Shin[2]	Beneficial owner	40 (L)	8.00%
Mr. Fei Zhongmin	Ningbo Jinxiao Equity Investment Management Partnership (Limited Partnership)	Beneficial owner	2,000,000 (L)	20.00%
Ms. Feng Xia	Deqing Demin Enterprise Management Partnership (Limited Partnership)	Beneficial owner	2,000,000 (L)	20.00%
	Deqing Dehao Enterprise Management Partnership (Limited Partnership)	Beneficial owner	2,000,000 (L)	20.00%
	Deqing Dexi Enterprise Management Partnership (Limited Partnership)	Beneficial owner	2,000,000 (L)	20.00%
	Deqing Dezhi Enterprise Management Partnership (Limited Partnership)	Beneficial owner	2,000,000 (L)	20.00%
	Deqing Degeng Enterprise Management Partnership (Limited Partnership)	Beneficial owner	2,000,000 (L)	20.00%
	Deqing Demao Enterprise Management Partnership (Limited Partnership)	Beneficial owner	2,000,000 (L)	20.00%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) Tak Shin is the holding company of the Company and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. Tak Shin held 1,764,000,000 Shares of the Company which accounted for approximately 65.30% of the total share capital of the Company.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at the date of this annual report, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at the date of this annual report, the following corporations/persons (other than Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of ordinary Shares interested[(1)]	Approximate percentage[+] of the Company's issued share capital
Tak Shin	Beneficial owner	1,764,000,000 (L)	65.30%
Tak Yuan	Beneficial owner	210,000,000 (L)	7.77%
Ms. Wei Peifen[(2)]	Interest of spouse	1,974,000,000 (L)	73.07%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Ms. Wei Peifen is the wife of Mr. Hu Yiping. Under the SFO, Ms. Wei Peifen is deemed to be interested in Mr. Hu Yiping's interests in Tak Shin and Tak Yuan.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at the date of this annual report.

Save as disclosed above and to the best knowledge of the Directors, as at the date of this annual report, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme as disclosed under the section headed "Share Option Scheme" in this annual report, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customers accounted for 0.50% of the Group's total revenue. The Group's five largest customers accounted for 1.06% of the Group's total revenue.

In the year under review, the Group's largest suppliers accounted for 4.21% of the Group's total purchase. The Group's five largest suppliers accounted for 18.02% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their respective holding of the Company's securities.

RETIREMENT BENEFITS SCHEME

During the year ended December 31, 2018, the Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Company are set out in Note 8 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2018, the Company has not entered into any equity-linked agreement.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

Details of the related party transactions of the Group for the year ended December 31, 2018 are set out in Note 36 to the consolidated financial statements contained herein.

None of the related party transactions constitutes a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

During the year ended December 31, 2018, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to the date of this annual report. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the period from the Listing Date to the date of this annual report.

EVENT AFTER REPORTING PERIOD

The Company was successfully listed on the Main Board of the Stock Exchange on February 26, 2019. At the date of this annual report, the net proceed from the Global Offering have not been utilized and are deposited in a licensed bank in Hong Kong.

Save as disclosed above, there are no important events after the reporting period and up to the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEMNITY OF DIRECTORS

The Company has arranged directors' and officers' liability insurance for all Directors and senior management. These insurances provided protection to the liability incurred from related cost, fees, expense and legal actions resulting from corporate activities. Pursuant to Article 192 of the Articles of Association, the Directors, managing directors, alternate Directors, Auditors, Secretary and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty, and none of them shall be answerable for the acts, receipts, neglects or defaults of any other of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects of the Company shall be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of the Company shall be placed out or invested, or for any other loss, misfortune or damage which may arise in the execution of their respective offices or trusts, or in relation thereto, except as the same shall happen by or through their own fraud, dishonesty or recklessness. The Company may take out and pay the premium and other moneys for the maintenance of insurance, bonds and other instruments for the benefit either of the Company or the Directors (and/or other officers) or any of them to indemnify the Company and/or Directors (and/or other officers) named therein for this purpose against any loss, damage, liability and claim which they may suffer or sustain in connection with any breach by the Directors (and/or other officers) or any of them of their duties to the Company.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date to the date of this annual report.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 44 to 62 of this annual report.

DONATIONS

During the year ended December 31, 2018, the Group has made charitable and other donations amounting to RMB317,000.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2018.

AUDITOR

The Shares were only listed on the Stock Exchange on February 26, 2019, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended December 31, 2018 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2018, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

There was no change in the Board and the information of Directors since the date of the Prospectus.

On behalf of the Board

Hu Yiping
Chairman

Hong Kong, March 28, 2019

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended December 31, 2018.

CORPORATE GOVERNANCE PRACTICES

The Shares have been listed on the Stock Exchange since the Listing Date. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. As the Company became listed on February 26, 2019, each of the Board Committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee did not convene any meeting during the year under review. During the period from the Listing Date and up to the date of this annual report, the Board believes that the Company has fully complied with the code provision of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the code provision of the CG Code.

THE BOARD

(1) Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. All Board Committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

(2) Directors' and senior management's liability insurance and indemnity

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

(3) Board composition

As at the date of this annual report, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors

Mr. Hu Yiping *(Chairman)*
Mr. Fei Zhongmin
Ms. Feng Xia

Non-Executive Director

Mr. Hu Shihao

Independent Non-Executive Directors

Dr. Wong Wing Kuen Albert
Mr. Ding Jiangang
Mr. Chen Hengliu

Except that Mr. Hu Yiping is the father of Mr. Hu Shihao, no other relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

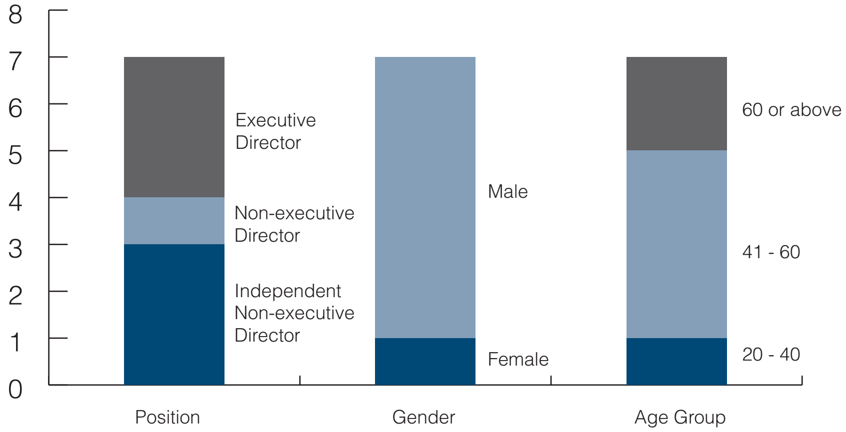
For the period from the Listing Date and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Dr. Wong Wing Kuen Albert has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

(4) Board diversity policy

Pursuant to Rule 13.92 of the Listing Rules, the nomination committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. The policy specifies that in designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills.

The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 24 to page 29 of this annual report.



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

(5) Measurable objectives

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

(i) Independence: The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.

(ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.

Apart from the above objectives, the board diversity policy has the following objectives to comply with the Listing Rules:

1. at least one third of the members of the Board shall be independent non-executive Directors;

2. at least three of the members of the Board shall be independent non-executive Directors; and

3. at least one of the members of the Board shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved the measurable objectives in the Board Diversity Policy.

(6) Confirmation of independence by the independent non-executive Directors

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

Except that Mr. Hu Yiping (an executive Director) is the father of Mr. Hu Shihao (a non-executive Director), none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their respective identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose, and already disclosed their commitments to the Company in a timely manner.

(7) Induction and continuous professional development

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the code provision A.6.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. During the period from the Listing Date and up to the date of this annual report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Mr. Hu Yiping, Mr. Fei Zhongmin, Ms. Feng Xia, Mr. Hu Shihao, Dr. Wong Wing Kuen Albert, Mr. Ding Jiangang and Mr. Chen Hengliu, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Prior to the listing of the Company, each of the aforesaid Directors have attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

The Directors are asked to submit a signed training record to the Company on an annual basis.

(8) Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Hu Yiping is the Chairman of the Company and Mr. Fei Zhongmin is the president of the Company (namely, the chief executive officer of the Company).

The Board and the senior management, which comprises experienced and high calibre, individuals can ensure the balance of power and authority. As at the date of this report, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors.

(9) Appointment and re-election of Directors

Each of Mr. Hu Yiping, Mr. Fei Zhongmin and Ms. Feng Xia, being the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date.

Mr. Hu Shihao, being the non-executive Director, has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date.

Each of Dr. Wong Wing Kuen Albert, Mr. Ding Jiangang and Mr. Chen Hengliu, being the independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

In accordance with the Company's articles of association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for election by Shareholders at the first general meeting of the Company after appointment and any new Director appointed as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the Chairman and the Chief Executive Officer.

(10) Board meetings and committee meetings

The Company became listed on February 26, 2019. The Company adopts the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the committee members prior to the meeting. Minutes of meetings are kept by the Company Secretary with copies circulated to relevant Board or Board Committee for comments and records.

Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft minutes of each Board meeting and committee meeting are sent to the relevant Board or committee members for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

Since the Listing Date and up to the date of this annual report, one board meeting was held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Hu Yiping (Chairman and Executive Director)	1/1
Mr. Fei Zhongmin (Executive Director)	1/1
Ms. Feng Xia (Executive Director)	1/1
Mr. Hu Shihao (Non-executive Director)	1/1
Dr. Wong Wing Kuen Albert (Independent Non-executive Director)	1/1
Mr. Ding Jiangang (Independent Non-executive Director)	1/1
Mr. Chen Hengliu (Independent Non-executive Director)	1/1

(11) Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code since the Listing Date and up to the date of this annual report.

(12) Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate to the Company's needs. Approval has to be obtained from the Board prior to any significant transactions entered into by the management on the Company's behalf.

(13) Corporate governance function

The Board recognizes that corporate governance should be the collective responsibility of Directors and has delegated the corporate governance duties to the Audit Committee which include:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Group;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Group; and

(e) to review the Group's compliance with the CG Code from time to time adopted by the Group and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

BOARD COMMITTEES

(1) Nomination Committee

As at the date of this report, the Nomination Committee currently comprises three members, namely Mr. Hu Yiping (chairman and executive Director), Mr. Ding Jiangang and Mr. Chen Hengliu (each being an independent non-executive Director). The majority of the committee members are independent non-executive Directors. Mr. Hu Yiping is the chairman of this committee.

The principal duties of the Nomination Committee include the followings:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- To develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;
- To identify individuals who are suitably qualified to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of independent non-executive directors of the Company;
- To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman of the Board and the chief executive officer of the Company; and
- To develop a policy concerning diversity of members of the Board and to disclose the policy or a summary of the policy in the corporate governance report.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the respective website of the Stock Exchange and the Company.

Due to the fact that the Company was listed on February 26, 2019, no Nomination Committee meeting was held during the year ended December 31, 2018.

One meeting of the Nomination Committee was held on March 28, 2019 and the attendance record of the Nomination Committee members is set out in the table below:

Directors	**Attended/ Eligible to attend**
Mr. Hu Yiping (Chairman)	1/1
Mr. Ding Jiangang	1/1
Mr. Chen Hengliu	1/1

In the meeting, the Nomination Committee reviewed and discussed the policy, procedure and criteria for nomination of the Directors, reviewed and discussed the Board diversity policy and discussed all measurable objectives set for implementing the policy and the progress made towards meeting the measurable objective in the policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

(2) Nomination Policy

The Board has adopted the following policy with regard to nomination of Directors.

1. Objective

The Policy aims to:

- set out the criteria and process in the nomination and appointment of directors of the Company;
- ensure that the Board the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- ensure the Board’s continuity and appropriate leadership at Board level.

2. Scope

The Policy applies to the directors of the Company and where applicable, senior management prepared for Board positions under the succession planning of the Company.

3. Nomination and Appointment of Directors

3.1 Criteria

In evaluating and selecting any candidate for directorship, the nomination committee of the Company (the "**Nomination Committee**") shall consider the following criteria in evaluating and selecting candidates for directorships:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the business and corporate strategies of the Company.
- Any measurable objectives adopted for achieving diversity on the Board.
- Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments.
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board.
- Such other perspectives that are appropriate to the business of the Company.

3.2 Nomination Procedures

3.2.1 Appointment of directors

(i) The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to the board diversity policy and the nomination policy of the Company, and assesses the independence of the proposed independent non-executive director(s) as appropriate.

(ii) The Nomination Committee makes recommendation(s) to the Board.

(iii) The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the board diversity policy and the nomination policy of the Company.

(iv) The Board confirms the appointment of the individual(s) as director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by shareholders of the Company (the "**Shareholders**") at the next annual general meeting after initial appointment in accordance with the articles of association of the Company (the "**Articles of Association**").

(v) The chairman of the Nomination Committee shall attend the annual general meeting of the Company to answer the questions raised by the Shareholders on the nomination of directors and other matters in relation to the Policy.

(vi) The Shareholders approve the election of individual(s), who stand(s) for election at general meeting, as director(s).

3.2.2 Re-appointment of directors

(i) The Nomination Committee shall review the overall contribution and service to the Company of the retiring director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance of the Board.

(ii) The Nomination Committee shall also review and determine whether the retiring director continues to meet the criteria as set out in 3.1.

(iii) The Board considers each retiring director recommended by the Nomination Committee, having due regard to the board diversity policy and the nomination policy of the Company.

(iv) The Board recommends the retiring directors to stand for re-election at the annual general meeting in accordance with the Articles of Association.

(v) The Shareholders approve the re-election of directors at the annual general meeting.

4. Review and Monitoring of the Policy

The Nomination Committee shall review the structure, size, composition (including skills, knowledge and experience) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

The Nomination Committee shall keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to complete effectively in the marketplace.

The Nomination Committee shall keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

(3) Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, namely Mr. Fei Zhongmin (an executive Director), Mr. Ding Jiangang (an independent non-executive Director) and Mr. Chen Hengliu (an independent non-executive Director), the majority of whom are independent non-executive Directors. Mr. Ding Jiangang is the chairman of this committee.

The Remuneration Committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member).

The principal duties of the Remuneration Committee include the followings:

- To make recommendations to the Board on the Company's policy and structure for the remuneration of all the directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- To review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;
- To make recommendations to the Board on the remuneration packages of executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- To make recommendations to the Board on the remuneration of non-executive directors of the Company;
- To consider factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of the Company and its subsidiaries and consolidated affiliated entities;
- To consider the level of remuneration required to attract and retain directors to manage the Company successfully;
- To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
- To ensure that no director or any of his/her associates is involved in deciding his or her own remuneration. For the avoidance of doubt, members of the Committee must not be involved in deciding his or her own remuneration;
- To review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- To advise shareholders of the Company on how to vote in respect of any service contracts of directors that require shareholders' approval in accordance with the Listing Rules, and as to whether the terms are fair and reasonable, and whether such contracts are in the interests of the Company and its shareholders as a whole.

Their written terms of reference are available on the respective website of the Stock Exchange and the Company.

Due to the fact that the Company was listed on February 26, 2019, no Remuneration Committee meeting was held during the year ended December 31, 2018.

One meeting of the Remuneration Committee was held on March 28, 2019 and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Ding Jiangang (Chairman)	1/1
Mr. Fei Zhongmin	1/1
Mr. Chen Hengliu	1/1

In the meeting, the Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, assessed performance of executive Directors, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

Details of the Directors' emoluments are disclosed in Note 8 to the consolidated financial statement of this annual report. Details of the remuneration by band of the members of the senior management of the Company for the year ended December 31, 2018 are set out below:

Remuneration band	Number of individual
Nil to RMB876,200 (equivalent to HKD1,000,000)	–
RMB876,200 to RMB1,314,300 (equivalent to HKD1,000,000 to HKD1,500,000)	4

(4) Audit Committee

As at the date of this report, the Audit Committee comprises three members, namely Mr. Hu Shihao (a non-executive Director), Dr. Wong Wing Kuen Albert (an independent non-executive Director) and Mr. Ding Jiangang (an independent non-executive Director), the majority of whom are independent non-executive Directors. Dr. Wong Wing Kuen Albert is the chairman of this committee. The main duties of the Audit Committee include the following:

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

- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

- To develop and implement policies on engaging an external auditor to provide non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- To monitor the integrity of the Company's financial statements, annual reports, accounts, half yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them.

- To review the Company's financial controls, risk management and internal control systems;

- To discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

- To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- Where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- To review the Company's and its subsidiaries' and consolidated affiliated entities' operating, financial and accounting policies and practices;

- To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

- To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- To report to the Board on the matters in the Terms of Reference;

- To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- To act as the key representative body for overseeing the Company's relations with the external auditor;

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

- To review and monitor the training and continuous professional development of directors and senior management;

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

- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

- To review the Company's compliance with the corporate governance code from time to time adopted and disclosure in the corporate governance report;
- To review continuing connected transactions of the Company and ensure compliance with terms approved by shareholders of the Company; and
- To perform the Company's corporate governance functions with details set out in the paragraph headed "THE BOARD – (13) Corporate Governance Function" above.

Due to the fact that the Company was listed on February 26, 2019, no Audit Committee meeting was held during the year ended December 31, 2018.

One meeting of the Audit Committee was held on March 28, 2019 and the attendance record of the Audit Committee members is set out in the table below:

Directors	**Attended/ Eligible to attend**
Dr. Wong Wing Kuen Albert (Chairman)	1/1
Mr. Hu Shihao	1/1
Mr. Ding Jiangang	1/1

In the meeting, the Audit Committee reviewed the Group's policies on corporate governance and discussed the same with the Board, reviewed the financial reporting system, compliance procedures, internal control and risk management systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions) and associated processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The Audit Committee also reviewed the annual results of the Company and its subsidiaries for the year ended December 31, 2018 as well as the audit's report prepared by the external auditor relating to accounting issues and major findings in course of audit.

There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. Their written terms of reference are available on the respective website of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2018 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the external auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness, which includes a well-established organizational structure with clearly defined lines of responsibility and authority. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

Risk management

Our business operations are affected by various risk factors, and we have realized that risk management is of great significance to our success. To handle these challenges, and conducted real-time supervision of our risk management policies and corporate governance measures after listing, we formulated a risk management system on July 31, 2018, to ensure efficient and compliant operation of the Company. We have established risk management processes that include identification, analysis, response, monitoring, and reporting, to systematically organize, mitigate, and monitor risk. Such risk management measures mainly include:

- Our Board is responsible for and has general power to manage and develop the Group's business, and is responsible for risk management and internal control systems, assessing and determining the nature and extent of risks, and overseeing the management's design, implementation and monitoring of risk management and internal control systems, and make major business decisions involving significant risks;

- The management team in our headquarters is responsible for monitoring daily operation and risks of the Group, and overseeing and approving major business decisions of city and project companies. We adopt a centralized business decision review and approval architecture. Our financial and accounting practices are controlled and overseen by the headquarters to ensure consistency and accuracy. Our cost management center focuses on entering into major procurement and construction contracts and monitoring risks related to such contracts. The audit and risk control department and legal affairs department are responsible for ensuring our compliance with regulatory rules and the legal compliance of our contracts. Our IT system facilitates the above management processes;

- The senior management of the Company is responsible for reviewing policies and systems related to corporate risk management and reporting risk management to the audit committee on a regular basis;

- We conduct regular internal evaluation and training on management and employees to ensure that they have sufficient knowledge on relevant legal, regulatory and policy;

- We provide training to directors and senior management on relevant listing rules and the responsibilities of directors of listed companies to identify potential non-compliances and ensure they are compliance with all applicable laws and regulations;

- Our relevant departments, including finance, operations, legal, administrative, and human resources department, will be responsible for developing and implementing the risk response plan for our business, and for performing and implementing of our risk management policies and measures.

The Directors, through the audit committee of the Company, reviewed the adequacy and effectiveness of the risk management systems of the Group, at least annually. The Board considered the risk management systems in place were adequate and effective.

Internal control

Our management is responsible for the establishment and implementation of the internal control system. As the highest decision-making level of the system, the management makes decisions regarding the goal and strategy of the internal control system, establishes the mechanism of major risk prevention and control. The Company has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the issuer's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. Our internal audit function supervises the management and makes suggestions to the management about the upgrade of our internal control system. During the year 2018, we engaged an independent external control consultant ("**internal control consultant**") to evaluate our internal control system. Based on the suggestions made by our internal control consultant, we take remedial measures to the deficiencies and shortcomings of our internal control system. After such review, the Board considered that the Company's enhanced internal control system was adequate and effective.

HANDLING OF INSIDE INFORMATION

With a view to identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), procedures including notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling and/or unauthorised use of inside information within the Group.

AUDITOR'S REMUNERATION

For the year ended December 31, 2018, the fee paid/payable to the external auditor of the Company in respect of audit services and non-audit services is set out as follows:

	Amount RMB'000
Audit services	1,500
Non-audit services	100

The non-audit services provided by the external auditor to the Group were in relation to the agreed-upon procedures for the preliminary announcement of results of the Group for the year ended December 31, 2018.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

The Company engaged Ms. Chau Hing Ling, the director of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as the company secretary of the Company. Her primary contact at the Company is Ms. Feng Xia, Executive Director of the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Chau Hing Ling undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended December 31, 2018.

GENERAL MEETING

The Company became listed on February 26, 2019. No general meeting was held after the Listing and up to the date of this report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Shareholders and potential investors on the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

The AGM provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Board, the chairmen of the Board Committees will attend the AGM to answer Shareholders' questions. The external auditor of the Company will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at http://www.dothinkgroup.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may at any time contact the Company's Investor Relations Department at 86-0571-879 26307 or email to tzzgx@dexingroup.com. The Board will review the Shareholders' communication policy regularly to ensure its effectiveness.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed by the chairman of that meeting for each substantially separate issue at Shareholder meetings, including nomination and election of individual directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting in accordance with the Listing Rules.

(1) Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting 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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(2) Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 64 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 64 are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

(3) Enquiries to the Board

Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: 3rd Floor, Huaneng Building, No. 565 Zhongshanbei Road, Hangzhou, Zhejiang, PRC

Attention: Directors office

Tel: 86-0571-87926307

Fax: 86-0571-85801699

Email: tzzgx@dexingroup.com

Enquiries will be dealt with in a timely and informative manner.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from the Listing Date, and are available on the respective website of the Stock Exchange and the Company.

羅兵咸永道

To the Shareholders of Dexin China Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Dexin China Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 163, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Classification of investments in subsidiaries, joint ventures and associates

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Classification of investments in subsidiaries, joint ventures and associates	
Refer to Note 4(d), Note 19 and Note 37 to the consolidated financial statements. The Group co-operated with other parties to invest in a large number of property development projects, which were classified as subsidiaries, joint ventures or associates. We focus on the classification of an investment as a subsidiary, a joint venture or an associate as it is determined based on whether the Group has control, joint control or significant influence over the investee. The assessment involves significant judgements through the analysis of various factors, including constitution of decision making authorities of an investee, such as shareholders' meetings and board of directors' meetings, decision making process, the Group's representation on the decision making authorities of an investee, as well as other facts and circumstances.	In assessing the classification of new investments or changes to existing investments during the year, we have performed the following procedures: 1. We obtained and examined the legal documents in relation to the investments ("Investment Documents"), including the cooperation agreements with other co-developers and articles of associations of the investees, with particular focuses on, including but not limited to the terms and conditions in relation to the rights of investors, cooperation arrangements, termination provisions, management structures and profit-sharing arrangements, and assessed management's judgement by analysing these key terms against accounting standards. Where there have been subsequent changes to the co-developers' agreements, articles of association and management structures, we critically assessed management's re-assessment on whether those changes would affect the initial classification. 2. We examined the documents related to decision making of property development, including minutes of shareholders' meetings and board of directors' meetings of the investees, and evaluated the detailed project management and approval processes on a sample basis, including the authorities in determination and approval of project budgets, selection of main constructors and vendors of the projects and the determination of sales and marketing plan. Based on the procedures performed, we found that management's judgements applied in determining the classification of the Group's investments in subsidiaries, joint ventures and associates were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Note 3.3 (b), Note 4(e) and Note 16 to the consolidated financial statements. The Group's investment properties are stated at fair value. As at 31 December 2018, the Group's investment properties amounted to RMB1,768 million and the fair value gains on investment properties for the year ended 31 December 2018 amounted to RMB192 million. Independent external valuations were obtained for the full property portfolio in order to support management's estimates. We focused on this area due to the significance of the fair value gains on investment properties recognised in the consolidated financial statements and the valuations of the investment properties involved significant management judgement and assumptions, including term yield, reversionary yield, market rental, unit rate, accommodation value, expected developer's profit margin and estimated construction costs to completion.	In assessing management's valuation of investment properties, we have performed the following procedures: 1. We evaluated the competence, capabilities and objectivity of the independent external valuer. 2. We assessed the appropriateness of valuation techniques adopted in the valuation of different nature of investment properties with the involvement of our in-house valuation experts. 3. We assessed the reasonableness of the key assumptions applied in the valuations by selecting key assumptions, including term yield, reversionary yield, market rental, unit rate, accommodation value and developer's profit margin, and comparing them with our own expectation using evidence of comparable market transactions. 4. We checked, on a sample basis, the estimated construction costs to completion, by comparing to the approved construction budgets and historical information of similar properties of the Group. We found that the judgements and assumptions made by the management in relation to the valuation of investment properties were supported by available audit evidence.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Kam Chin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2019

Consolidated Income Statement

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	6	**8,212,074**	6,553,989
Cost of sales	7	**(5,088,712)**	(5,021,308)
Gross profit		**3,123,362**	1,532,681
Other income	9	**37,265**	62,540
Other gains – net	10	**56,744**	20,834
Selling and marketing expenses	7	**(294,318)**	(200,734)
Administrative expenses	7	**(451,914)**	(262,202)
Fair value gains on investment properties	16	**191,717**	226,107
Operating profit		**2,662,856**	1,379,226
Finance income	11	**95,590**	106,482
Finance costs	11	**(470,862)**	(427,931)
Finance costs – net		**(375,272)**	(321,449)
Share of results of joint ventures and associates	19	**579,065**	160,284
Profit before income tax		**2,866,649**	1,218,061
Income tax expenses	12	**(1,025,602)**	(378,692)
Profit for the year		**1,841,047**	839,369
Profit attributable to:			
Owners of the Company		**1,453,456**	737,543
Non-controlling interests		**387,591**	101,826
		1,841,047	839,369
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	29	**0.71**	0.37

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**1,841,047**	839,369
Other comprehensive income	**–**	–
Total comprehensive income for the year	**1,841,047**	839,369
Attributable to:		
Owners of the Company	**1,453,456**	737,543
Non-controlling interests	**387,591**	101,826
	1,841,047	839,369

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

		As at 31 December	
		2018	2017
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**153,149**	106,343
Land use rights	*15*	**114,835**	28,199
Investment properties	*16*	**1,768,420**	1,254,600
Intangible assets		**1,148**	1,090
Investments accounted for using the equity method	*19*	**2,008,869**	970,214
Amounts due from related parties	*36*	**41,000**	49,000
Prepayments	*23*	**–**	169,668
Financial assets at fair value through profit or loss	*21*	**232,255**	184,056
Deferred income tax assets	*17*	**509,915**	245,332
		4,829,591	3,008,502
Current assets			
Properties under development	*22*	**27,684,622**	17,044,187
Completed properties held for sale	*22*	**345,610**	638,293
Trade and other receivables and prepayments	*23*	**5,838,316**	4,044,727
Amounts due from related parties	*36*	**2,737,822**	5,943,108
Contract assets	*6*	**14,552**	15,810
Prepaid income taxes		**538,328**	446,896
Financial assets at fair value through profit or loss	*21*	**132,400**	160,481
Restricted cash	*24*	**1,295**	164,363
Cash and cash equivalents	*25*	**7,486,911**	3,950,854
		44,779,856	32,408,719
Total assets		**49,609,447**	35,417,221
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*26*	**6,848**	–
Reserves	*27, 28*	**2,466,618**	1,514,799
		2,473,466	1,514,799
Non-controlling interests		**4,395,171**	668,950
Total equity		**6,868,637**	2,183,749

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*30*	**4,423,858**	5,882,601
Deferred income tax liabilities	*17*	**277,487**	158,132
		4,701,345	6,040,733
Current liabilities			
Trade and other payables	*31*	**5,173,525**	4,293,782
Amounts due to related parties	*36*	**3,268,072**	2,908,471
Contract liabilities	*6*	**20,921,303**	15,322,347
Current income tax liabilities		**969,383**	415,066
Borrowings	*30*	**7,707,182**	4,253,073
		38,039,465	27,192,739
Total liabilities		**42,740,810**	33,233,472
Total equity and liabilities		**49,609,447**	35,417,221

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 70 to 163 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf.

Hu Yiping	**Feng Xia**
Director	*Director*

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company						
	Share capital RMB'000 *(Note 26)*	Other reserves RMB'000 *(Note 27)*	Statutory reserves RMB'000 *(Note 28)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	–	907,357	51,534	125,545	1,084,436	454,966	1,539,402
Comprehensive income							
– Profit for the year	–	–	–	737,543	737,543	101,826	839,369
Total comprehensive income	–	–	–	737,543	737,543	101,826	839,369
Transactions with owners in their capacity as owners							
Acquisition of additional interests in subsidiaries (Note 35)	–	(30,896)	–	–	(30,896)	(8,862)	(39,758)
Capital injections from non-controlling interests	–	–	–	–	–	357,420	357,420
Distribution to non-controlling interests	–	–	–	–	–	(236,400)	(236,400)
Dividends declared to the then shareholders of the Group (Note 13)	–	–	–	(200,000)	(200,000)	–	(200,000)
Deemed distributions to the then shareholders of the Group (Note 27)	–	(76,284)	–	–	(76,284)	–	(76,284)
Total transactions with owners in their capacity as owners	–	(107,180)	–	(200,000)	(307,180)	112,158	(195,022)
Transfer to statutory reserves	–	–	39,618	(39,618)	–	–	–
Balance at 31 December 2017	–	800,177	91,152	623,470	1,514,799	668,950	2,183,749

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company						
	Share capital RMB'000 *(Note 26)*	**Other reserves RMB'000** *(Note 27)*	**Statutory reserves RMB'000** *(Note 28)*	**Retained earnings RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
Balance at 1 January 2018	–	800,177	91,152	623,470	1,514,799	668,950	2,183,749
Comprehensive income							
– Profit for the year	–	–	–	1,453,456	1,453,456	387,591	1,841,047
Total comprehensive income	–	–	–	1,453,456	1,453,456	387,591	1,841,047
Transactions with owners in their capacity as owners							
Issue of new shares upon incorporation of the Company	322	–	–	–	322	–	322
Issue of new shares by the Company and the effect of the group reorganisation	6,526	(6,526)	–	–	–	–	–
Capital injections from non-controlling interests	–	–	–	–	–	3,418,065	3,418,065
Acquisition of additional interests in subsidiaries (Note 35)	–	(89,034)	–	–	(89,034)	(19,913)	(108,947)
Capital injection by a third party investor	–	67,662	–	–	67,662	–	67,662
Disposal of subsidiaries	–	–	–	–	–	(4,550)	(4,550)
Distribution to non-controlling interests	–	–	–	–	–	(106,500)	(106,500)
Disposal of interests in subsidiaries without change of control	–	(2,118)	–	–	(2,118)	51,528	49,410
Dividends declared to the then shareholders of the Group (Note 13)	–	–	–	(300,000)	(300,000)	–	(300,000)
Deemed distributions to the then shareholders of the Group (Note 27)	–	(171,621)	–	–	(171,621)	–	(171,621)
Total transactions with owners in their capacity as owners	6,848	(201,637)	–	(300,000)	(494,789)	3,338,630	2,843,841
Transfer to statutory reserves	–	–	281,453	(281,453)	–	–	–
Balance at 31 December 2018	6,848	598,540	372,605	1,495,473	2,473,466	4,395,171	6,868,637

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*32(a)*	**(1,267,460)**	1,285,424
Income tax paid		**(713,971)**	(290,259)
Interest paid		**(1,104,444)**	(830,180)
Interest received		**133,847**	91,445
Net cash (used in)/generated from operating activities		**(2,952,028)**	256,430
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(54,388)**	(13,873)
Payments for purchase of intangible assets		**(1,027)**	(1,182)
Payments for purchase of investment properties		**(219,975)**	(343,879)
Payments for purchase of land use rights of properties for own use		**(89,725)**	–
Proceeds from disposal of property, plant and equipment		**3,142**	5,580
Investments in joint ventures		**(233,325)**	(312,723)
Investments in associates		**(488,003)**	(146,232)
Purchase of financial assets at fair value through profit or loss		**(361,605)**	(285,320)
Proceeds from disposal of financial assets at fair value through profit or loss		**352,186**	414,867
Proceeds from disposal of associates		**3,852**	–
Advances to third parties		**(235,476)**	(150,514)
Repayment of advances from third parties		**465,613**	98,398
Advances to joint ventures and associates		**(1,292,231)**	(2,257,007)
Repayment of advances from joint ventures and associates		**1,678,173**	745,164
Net cash inflow from disposal of a subsidiary		**36,651**	–
Advances to other related parties		**(241)**	(552,298)
Repayment of advances from other related parties		**2,827,586**	350,350
Dividends received from joint ventures and associates		**66,095**	135,200
Net cash generated from/(used in) investing activities		**2,457,302**	(2,313,469)

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		13,240,202	9,393,651
Repayments of borrowings		(11,244,836)	(7,380,618)
Advances from joint ventures and associates		1,101,232	1,786,739
Repayment of advances to joint ventures and associates		(678,946)	(155,200)
Advances from other related parties		105,487	61,559
Repayment of advances to other related parties		(168,172)	(29,106)
Capital injection from non-controlling interests		3,418,065	357,420
Capital injection by a third party investor		67,662	–
Distribution to non-controlling interests		(106,500)	(236,400)
Payments for acquisition of non-controlling interests	*35(a)*	(108,947)	(39,758)
Payments for listing expenses		(6,017)	(325)
Advances from non-controlling interests		4,119,973	2,487,717
Repayment of advances to non-controlling interests		(5,448,910)	(1,219,775)
Distributions and dividends paid to the then shareholders of the Group		(471,621)	(276,284)
Proceeds from disposal of interests in subsidiaries without loss of control	*35(b)*	49,410	–
Restricted cash pledged for borrowings		(335,562)	(133,075)
Restricted cash released		498,263	2,330
Net cash generated from financing activities		4,030,783	4,618,875
Net increase in cash and cash equivalents		3,536,057	2,561,836
Cash and cash equivalents at beginning of the year		3,950,854	1,389,018
Cash and cash equivalents at end of the year	*25*	7,486,911	3,950,854

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. General information, reorganisation and basis of presentation

1.1 General information

Dexin China Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Island. The Company is an investment holding company. The Company and its subsidiaries now comprising the group (the "Group") are principally engaged in the property development and construction services, property investment and hotel operations (the "Listing Business") in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 February 2019.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issued by the Board on 28 March 2019.

1.2 Reorganisation

Prior to the completion of the reorganisation (the "Reorganisation") as described below, the Listing Business was principally operated by Dexin Real Estate Group Co., Ltd. ("Dexin Group Company") and its subsidiaries. The Listing Business is ultimately controlled by Mr. Hu Yiping (胡一平, "Mr. Hu" or "Controlling Shareholder") throughout the years ended 31 December 2018 and 2017.

Prior to the completion of the Reorganisation, Dexin Group Company also held certain subsidiaries engaged in property management (the "Non-listing Business"). The Listing Business and the Non-listing Business are operated independently and managed by different management teams. For the purpose of the consolidated financial statements, only the financial information of the Listing Business was included throughout the years ended 31 December 2018 and 2017.

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Reorganisation was undertaken pursuant to which the group companies engaged in the Listing Business and controlled by Dexin Group Company were transferred to the Company. The Reorganisation involves the following major steps:

(a) Incorporation of the Company and the investment holding companies by the Controlling Shareholder

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 16 January 2018, all the issued ordinary shares of which were held by Tak Shin International Limited ("Tak Shin International"), a company owned by Mr. Hu and Mr. Hu Shihao (胡詩豪, the son of Mr. Hu) of 92% and 8%, respectively.

Tak Yick International Limited was incorporated in the British Virgin Islands ("BVI") with limited liability on 7 February 2018 by the Company.

Dexin Holding (Hong Kong) Limited ("Dexin HK") was incorporated in Hong Kong with limited liability on 22 March 2018 by Tak Yick International Limited.

1. General information, reorganisation and basis of presentation (continued)

1.2 Reorganisation (continued)

(a) Incorporation of the Company and the investment holding companies by the Controlling Shareholder (continued)

On 31 January 2018, Zhejiang Dexin Investment Company Limited ("Dexin Investment") was established in the PRC by Dexin Holding Group Limited ("Dexin Holding"), the immediate holding company of Dexin Group Company.

(b) Incorporation of the investment holding companies by an independent third party

Createwisdom International Limited was incorporated in the BVI with limited liability on 25 January 2018 by Mr. Chen Yue, an independent third party.

Daxin International Limited was incorporated in the BVI with limited liability on 25 January 2018 by Createwisdom International Limited.

Yinxin Holding (Hong Kong) Limited ("Yinxin Holding") was incorporated in Hong Kong with limited liability on 22 March 2018 by Daxin International Limited.

(c) Transfer of the entire equity interest of Dexin Group Company to Dexin Investment

On 14 March 2018, Dexin Holding transferred its entire equity interest in Dexin Group Company to Dexin Investment at a consideration of RMB1,127,749,800. Upon completion of such equity transfer, Dexin Group Company became a wholly-owned subsidiary of Dexin Investment.

(d) Capital injection into Dexin Investment by Yinxin Holding

On 7 May 2018, Yinxin Holding acquired 6% of the equity interest of Dexin Investment by way of capital injection of RMB67,661,634, which was paid on 10 July 2018. Upon completion of the capital injection, Dexin Investment was converted into a sino-foreign joint venture enterprise and was owned by Dexin Holding and Yinxin Holding as to 94% and 6% respectively.

(e) Transfer of 94% equity interest in Dexin Investment to Dexin HK

On 17 July 2018, Dexin Holding transferred its 94% equity interest in Dexin Investment to Dexin HK at a consideration of RMB200,000,000. The consideration was funded by shareholders loan from Mr. Hu and Mr. Hu Shihao ("Shareholder's Loans"). Upon completion of such equity transfer, Dexin Investment was owned by Dexin HK and Yinxin Holding as to 94% and 6%, respectively, and became an indirect subsidiary of the Company.

1. General information, reorganisation and basis of presentation (continued)

1.2 Reorganisation (continued)

(f) Transfer of 6% equity interest in Dexin Investment to the Company

On 14 August 2018, each issued and unissued share of the Company with a par value of US$1.00 each was sub-divided into 100 shares with a par value of US$0.01 each upon completion of the share sub-division, the share capital of the Company was US$50,000 divided into 5,000,000 shares with a par value of US$0.01 each.

On 17 August 2018, Createwisdom International Limited transferred its entire equity interest in Daxin International Limited to the Company in exchange for 6,000,000 Shares in the Company. On 17 August 2018, the Shareholder's Loans were capitalised in full by way of the Company's allotment and issue of 89,000,000 shares to Tak Shin International. On the same day, Tak Shin International transferred 9,500,000 shares of the Company at par value to Tak Yuan International Limited ("Tak Yuan International"). Upon completion of such equity transfer and loan capitalisation, the Company was then owned as to 84%, 10% and 6% by Tak Shin International, Tak Yuan International and Createwisdom International Limited respectively.

After the completion of Reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business, is mainly conducted through Dexin Group Company and its subsidiaries and is ultimately controlled by Mr. Hu. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management and the ultimate owner of the Listing Business remained the same. Accordingly, the consolidated financial statements of the Group is prepared using the carrying values of the Listing Business for the years ended 31 December 2018 and 2017.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. In particular, the Group has consistently adopted HKFRS 9 and HKFRS 15 for the years ended 31 December 2018 and 2017.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Amendments to HKFRS 9	Prepayment features with negative compensation[1]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[1]
HKFRS 16	Leases[1]
HK (IFRIC) Int 23	Uncertainty over income tax treatments[1]
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[3]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[2]
HKFRS 3 (Amendments)	Definition of a Business[2]
Improvements to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle[1]

1 Effective for annual period beginning on or after 1 January 2019.
2 Effective for annual period beginning on or after 1 January 2020.
3 Effective date to be determined.

The Group's assessment of the impact of the adoption of HKFRS 16 is as follows:

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact, Mandatory application date/Date of adoption by the Group

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB32,339,000, representing 0.1% of the Group's current liabilities. The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) New standards, amendments and interpretations not yet adopted (continued)

HKFRS 16 Leases (continued)

Impact, Mandatory application date/Date of adoption by the Group (continued)

As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

At this stage, the Group does not intend to adopt the standard before its effective date and does not expect it will have a material impact on the financial performance and position of the Group when it becomes effective.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Business combinations under common control

The consolidated financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statements and the consolidated statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

(a) Business combinations (continued)

Business combinations not under common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category if equity as specified/permitted by applicable HKFRSs.

(d) Structure entities

For structured entities, the Group assesses whether they should be consolidated based on the contractual terms as to whether the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Third-party beneficiaries' interests in the consolidated structured entities with a limited life or puttable instruments issued and are classified as liabilities in the Group's consolidated balance sheets, and net profits or losses attributable to third-party beneficiaries are recorded in consolidated profit or loss as "finance costs".

(e) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment and is being either the cash consideration amount or the amount of net asset value of the subsidiaries for share-settled transaction under reorganisation and business combination under common control. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. Summary of significant accounting policies (continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of an associate" in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depend on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to "share of results of a joint venture" in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decision.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings and leasehold improvements	20 years
Office equipment	3-5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains-net" in profit or loss.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and ready for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. Summary of significant accounting policies (continued)

2.8 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 5 years). Costs associated with maintaining computer software programs are recognised as an expenses as incurred.

2.9 Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are presented in profit or loss as part of a valuation gain or loss.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property mainly comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between 2 and 3 years.

2. Summary of significant accounting policies (continued)

2.11 Properties under development (continued)

Costs to fulfil a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfil a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2.12 Completed properties held for sale

Completed properties remaining unsold at reporting period end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.13.2 Recognition and measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statements.

2. Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

2.13.2 Recognition and measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income within 'other gains – net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statements of comprehensive income. Dividends from such investments continue to be recognised in the consolidated income statements as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains – net' in the consolidated income statements as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. Summary of significant accounting policies (continued)

2.15 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and debt investment at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For contract assets and all trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.16 Leases

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.17 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortised to the profit or loss on a straight-line basis.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. Summary of significant accounting policies (continued)

2.19 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contact with a customer within contract assets if the Group expects to recover these costs.

2.20 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in “restricted cash” of the consolidated balance sheets. Restricted cash is excluded from cash and cash equivalents.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2. Summary of significant accounting policies (continued)

2.23 Borrowings and borrowing costs (continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, like properties under development, assets under construction and investment properties under construction, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.24 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates(and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (continued)

2.24 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

(a) Pension obligations

The group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these defined contributions plans are expensed as incurred.

(b) Housing benefits, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other social insurance plan. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2. Summary of significant accounting policies (continued)

2.25 Employee benefits (continued)

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.26 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Sales of properties and construction services

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

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

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

2. Summary of significant accounting policies (continued)

2.27 Revenue recognition (continued)

(i) Sales of properties and construction services (continued)

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

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

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time. Revenue in respect of the construction services is recognised over time on a cost-to-cost method. It is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year/period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15. The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. The Group recognises a contract asset for any work performed, and the amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. There is no significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

(ii) Hotel operation

Revenue from hotel operation is recognised in the accounting period in which the related services are rendered.

(iii) Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

2. Summary of significant accounting policies (continued)

2.28 Management and consulting services income

Income from rendering of management and consulting services is recognised in the accounting period in which the related services are rendered.

2.29 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.30 Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.31 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of joint ventures and associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.32 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividend distribution to the then shareholders of the group companies during the period before the Reorganisation was completed is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the directors of the respective group companies.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, and liquidity risk. The Group's principal activities are conducted in RMB. The directors are of the opinion that the Group's activities do not expose it to any significant foreign exchange risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2018, bank and other borrowings of the Group which were bearing at floating rates amounted to approximately RMB4,777,020,000 (2017: RMB1,467,850,000). If interest rates on borrowings at floating rates had been 50 basis points higher or lower with all other variables held constant and without taking into account interest capitalisation, interest charges for the year ended 31 December 2018 would have been RMB23,885,000 higher/lower (2017: RMB7,339,000 higher/lower).

3.1.2 Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade and other receivables, amounts due from related parties and financial assets at fair value through profit or loss shown in the consolidated balance sheet.

As at 31 December 2018 and 2017, in order to manage this risk, the Group's bank deposits are mainly deposited with reputable banks which are all high-credit-quality financial institutions incorporated in the PRC.

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of such guarantees is made in Note 33. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

For other receivables and amounts due from related parties, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. The loss allowance provision for the Group's financial assets were not material for the year ended 31 December 2018 (2017: same).

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties and contract assets.

Expected loss rate of current contract assets, trade receivables from related parties and trade receivables from government authorities are assessed to be 0.1%. The loss allowance provision for these balances was not material for the year ended 31 December 2018 (2017: same).

In calculating the expected credit loss rate of the trade receivables, the Group has considered the historical credit loss experience to incorporate relevant, current and more forward-looking information for different class of trade receivables which grouped based on shared credit risk characteristics and the days past due. As there was no significant change of the customer base, historical credit loss rate of customers and forward-looking information for the years ended 31 December 2018 and 2017, the Group adopted the same expected credit loss rate for the years ended 31 December 2018 and 2017. The loss allowance provision as at 31 December 2018 and 2017 is determined as follows:

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(i) Trade receivables and contract assets (continued)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
At 31 December 2018					
Trade receivables (RMB'000)	**39,942**	**58,366**	**120,004**	**1,538**	**219,850**
Less: receivables from related parties (RMB'000)	**(6,980)**	**(13,276)**	**–**	**(500)**	**(20,756)**
receivables from government authorities (RMB'000)	**(599)**	**(43,626)**	**(120,000)**	**–**	**(164,225)**
Gross carrying amount (RMB'000)	**32,363**	**1,464**	**4**	**1,038**	**34,869**
Expected loss rate	**1%**	**5%**	**20%**	**50%-100%**	
Loss allowance provision (RMB'000)	**324**	**73**	**1**	**1,023**	**1,421**

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years	Total
At 31 December 2017					
Trade receivables (RMB'000)	67,267	235,617	13	2,046	304,943
Less: receivables from related parties (RMB'000)	(67,103)	(14,919)	–	(672)	(82,694)
receivables from government authorities (RMB'000)	–	(211,169)	–	–	(211,169)
Gross carrying amount (RMB'000)	164	9,529	13	1,374	11,080
Expected loss rate	1%	5%	20%	50%-100%	
Loss allowance provision (RMB'000)	2	476	3	1,370	1,851

The closing loss allowance provision for trade receivables from third parties as at 31 December 2018 reconcile to the opening loss allowance for that provision as follows:

	Trade receivables (excluding receivables from related parties and government authorities) RMB'000
At 1 January 2017	1,611
Provision for loss allowance recognised in profit or loss, net	240
At 31 December 2017	1,851
At 1 January 2018	**1,851**
Reversal of provision for loss allowance recognised in profit or loss, net	**(430)**
At 31 December 2018	**1,421**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(i) Trade receivables and contract assets (continued)

For the years ended 31 December 2018 and 2017, the provision for loss allowances were recognised in profit or loss in administrative expense in relation to the impaired trade receivables.

As at 31 December 2018, the gross carrying amount of trade receivables excluding receivables from related parties and government authorities was RMB34,869,000 (2017: RMB11,080,000), and thus maximum exposure to loss was RMB33,448,000 (2017: RMB9,229,000).

(ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties, related parties and non-controlling interests.

To measure the expected credit losses of other receivables, other receivables have been grouped based on shared credit risk characteristics and the days past due.

The closing loss allowance provision for other receivables as at 31 December 2018 reconcile to the opening loss allowance for that provision as follows:

	Other receivables RMB'000
At 1 January 2017	10,493
Provision for loss allowance recognised in profit or loss, net	5,347
At 31 December 2017	15,840
At 1 January 2018	**15,840**
Provision for loss allowance recognised in profit or loss, net	**5,445**
At 31 December 2018	**21,285**

All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the reporting period was limited to 12 months expected losses. Management considered other receivables from third parties to be low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(ii) Other receivables (continued)

For the year ended 31 December 2018 and 2017, the provision for loss allowance were recognised in profit or loss in administrative expenses in relation to the impaired other receivables.

For the year ended 31 December 2018, the average expected loss rate on the gross carrying amount of other receivables excluding deposits for acquisitions of land use rights and property development projects was 1% (2017: 1%). Expected loss of deposits for acquisitions of land use rights and property development projects was not material as there was no recent history of default and management considered the credit risk is low.

As at 31 December 2018, the maximum exposure to loss of other receivables for third parties, related parties and non-controlling interests were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Amounts due from related parties	**2,778,822**	5,992,108
Amounts due from non-controlling interests	**3,135,801**	1,578,376
Amounts due from third parties (including deposits and others)	**588,599**	752,689
	6,503,222	8,323,173

3.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2018					
Borrowings	**8,385,278**	**3,765,941**	**763,755**	**193,487**	**13,108,461**
Trade and other payables, excluding accrual for staff costs and allowances, and other taxes payable	**4,716,965**	**–**	**–**	**–**	**4,716,965**
Amounts due to related parties	**3,268,072**	**–**	**–**	**–**	**3,268,072**
Financial guarantee	**11,876,880**	**–**	**–**	**–**	**11,876,880**
	28,247,195	**3,765,941**	**763,755**	**193,487**	**32,970,378**
As at 31 December 2017					
Borrowings	5,124,121	4,545,761	1,247,023	159,645	11,076,550
Trade and other payables, excluding accrual for staff costs and allowances, and other taxes payable	4,083,828	–	–	–	4,083,828
Amounts due to related parties	2,908,471	–	–	–	2,908,471
Financial guarantee	7,495,623	–	–	–	7,495,623
	19,612,043	4,545,761	1,247,023	159,645	25,564,472

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheets) less total of cash and cash equivalents and restricted cash.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Total borrowings *(Note 30)*	**12,131,040**	10,135,674
Less: Cash and cash equivalents *(Note 25)*	**(7,486,911)**	(3,950,854)
Restricted cash *(Note 24)*	**(1,295)**	(164,363)
Net borrowings	**4,642,834**	6,020,457
Total equity	**6,868,637**	2,183,749
Total capital	**11,511,471**	8,204,206
Gearing ratio	**40%**	73%

3.3 Fair value estimation

(a) Financial assets carried at fair value

The Group's financial assets carried at fair value include financial assets at fair value through profit or loss. The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial assets carried at fair value (continued)

Specific valuation techniques used to value financial instruments include:

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 and 2017, by level of the inputs to valuation techniques used to measure fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2018				
Financial assets at fair value through profit or loss	**–**	**–**	**364,655**	**364,655**
At 31 December 2017				
Financial assets at fair value through profit or loss	–	–	344,537	344,537

Significant unobservable inputs	Valuation approach	Range of unobservable inputs 31 December 2018	31 December 2017
Expected rate of return	Return approach	**2%-6%**	2%-6%

Relationship of unobservable inputs to fair value: the higher of expected rate of return, the higher the fair value.

The Group manages the valuation of level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year/period, the Group would assess the fair value of the Group's level 3 instruments by using valuation techniques.

The valuation of level 3 instruments mainly included investments in wealth management products issued by banks or other financial institution. As these instruments are not traded in an active market, their fair values have been determined by using applicable valuation techniques, which mainly include discounted cash flows.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax for the year ended 31 December 2018 would have been approximately RMB36,466,000 higher/lower (2017: RMB34,454,000 higher/lower).

The Group's policy was to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no changes in level 3 instruments during the year ended 31 December 2018 (2017: same).

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Investment properties

Investment properties of the Group were measured at fair value.

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of investment properties that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2018 (2017: same).

(ii) Valuation techniques used to determine level 3 fair values

The directors determine a property's value within a range of reasonable fair value estimates. Fair values of the Group's completed investment properties are derived using the income capitalisation approach. This valuation method takes into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate.

Fair values of the Group's investment properties under development are derived on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. It is assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at the fair values, the direct comparison approach is adopted by making reference to comparable sales transactions as available in the market and also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed developments. The "market value as if completed" represents the opinion of the aggregate selling prices of the property assuming that it would be completed as at the valuation date.

All resulting fair value estimates for investment properties are included in level 3.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Detailed disclosures of the changes in level 3 items for the years ended 31 December 2018 and 2017 for recurring fair value measurements are disclosed below.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Investment properties (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

	Fair value at 31 December	
Properties status	**2018**	2017
	RMB'000	RMB'000
Completed	**994,520**	926,500
Under development	**773,900**	328,100
	1,768,420	1,254,600

		Range of unobservable inputs As at 31 December	
Properties status	**Unobservable inputs**	**2018**	2017
Completed	Term yield	**2.5%-5.5%**	4%-4.5%
	Reversionary yield	**3%-6%**	4.5%-5%
	Monthly rental (RMB/sq.m./month)	**19-144**	19-142
	Occupancy rate	**80%-90%**	80%-90%
Under development	Unit rate (RMB/sq.m.)	**6,600-20,300**	11,500-17,000
	Accommodation value (RMB/sq.m.)	**357**	330-3,800

Relationship of unobservable inputs to fair value:

– 1 The higher rate of term yield and reversionary yield, the lower the fair value;
– 2 The higher monthly rental, the higher the fair value;
– 3 The higher the occupancy rate, the higher the fair value;
– 4 The higher the unit rate, the higher the fair value;
– 5 The higher the accommodation value, the higher the fair value.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Investment properties (continued)

(v) Valuation processes

The Group's investment properties were valued by an independent professionally qualified valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department has a team to review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once every six months for the Group's interim and annual reporting process.

At each reporting period end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior period valuation report; and
- Holds discussions with the independent valuer.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group can not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements.

4 Critical accounting estimates and judgements (continued)

(a) Revenue recognition (continued)

In assessing whether the Group has an enforceable right to payment for its sale contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

(b) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(c) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. The Group has not finalised its PRC land appreciation taxes calculations and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and the related land appreciation taxes. The Group recognised the land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

4 Critical accounting estimates and judgements (continued)

(d) Classification of subsidiaries, joint ventures and associates

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including the constitution of decision making authorities of the investee and the Group's representation on the decision making authorities of an investee, such as board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line-by-line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments on the consolidated balance sheet.

Accordingly, any inappropriate classification as a result of recognition or derecognition of the investments could have a material and pervasive impact on the consolidated financial statements.

(e) Fair value of investment properties

Investment properties including those completed investment properties and investment properties under construction, are carried at their fair value. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent professional property valuer using property valuation techniques which involve certain assumptions of prevailing market conditions.

5. Segment information

The Executive Directors have been identified as the CODM. Management has determined the operating segments based on the reports reviewed by the Executive Directors, which are used to allocate resources and assess performance. The Group is organised into three business segments: property development and construction, property investment, and other businesses. Other businesses mainly include hotel operations. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented. The Group has a large number of purchaser, none of whom contributed 10% or more of the Group's revenue.

The directors of the Company assess the performance of the operating segments based on a measure of segment results, which is a measure of revenue and gross profit of each operating segment.

5. Segment information (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development and construction RMB'000	Property investment RMB'000	Other businesses RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from contracts with customers	8,171,126	–	13,937	–	8,185,063
Recognised at a point in time	7,666,996	–	–	–	7,666,996
Recognised over time	504,130	–	13,937	–	518,067
Revenue from other sources:					
Rental income	–	27,011	–	–	27,011
Segment revenue	8,171,126	27,011	13,937	–	8,212,074
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	8,171,126	27,011	13,937	–	8,212,074
Gross profit	3,097,991	19,035	6,336	–	3,123,362
Other income					37,265
Other gains – net					56,744
Selling and marketing expenses					(294,318)
Administrative expenses					(451,914)
Fair value gains on investment properties	–	191,717	–	–	191,717
Finance costs – net					(375,272)
Share of results of joint ventures and associates	579,065	–	–	–	579,065
Profit before income tax					2,866,649
Income tax expenses					(1,025,602)
Profit for the year					1,841,047
Depreciation and amortisation	11,728	–	865	–	12,593
Segment assets	46,422,878	2,076,472	235,527	874,570	49,609,447
Segment liabilities	28,055,891	1,103,820	203,189	13,377,910	42,740,810
Additions to non-current assets (other than financial instruments and deferred income tax assets)	721,328	415,203	157,483	–	1,294,014

5. Segment information (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2017 is as follows:

	Property development and construction RMB'000	Property investment RMB'000	Other businesses RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from contracts with customers	6,531,042	–	16,128	–	6,547,170
Recognised at a point in time	6,065,800	–	–	–	6,065,800
Recognised over time	465,242	–	16,128	–	481,370
Revenue from other sources:					
Rental income	–	6,819	–	–	6,819
Segment revenue	6,531,042	6,819	16,128	–	6,553,989
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	6,531,042	6,819	16,128	–	6,553,989
Gross profit	1,516,792	6,819	9,070	–	1,532,681
Other income					62,540
Other gains – net					20,834
Selling and marketing expenses					(200,734)
Administrative expenses					(262,202)
Fair value gains on investment properties	–	226,107	–	–	226,107
Finance costs – net					(321,449)
Share of results of joint ventures and associates	160,284	–	–	–	160,284
Profit before income tax					1,218,061
Income tax expenses					(378,692)
Profit for the year					839,369
Depreciation and amortisation	11,461	–	1,632	–	13,093
Segment assets	33,166,958	1,566,401	93,993	589,869	35,417,221
Segment liabilities	21,741,131	681,518	101,951	10,708,872	33,233,472
Additions to non-current assets (other than financial instruments and deferred income tax assets)	473,653	424,161	21	–	897,835

5. Segment information (continued)

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Segment assets	**48,734,877**	34,827,352
Unallocated:		
Financial assets at fair value through profit or loss	**364,655**	344,537
Deferred income tax assets	**509,915**	245,332
Total assets per consolidated balance sheet	**49,609,447**	35,417,221

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Segment liabilities	**29,362,900**	22,524,600
Unallocated:		
Deferred income tax liabilities	**277,487**	158,132
Current income tax liabilities	**969,383**	415,066
Borrowings	**12,131,040**	10,135,674
Total liabilities per consolidated balance sheet	**42,740,810**	33,233,472

6. Revenue

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue from sales of properties	**8,130,049**	6,501,385
Revenue from construction and project management services	**41,077**	29,657
Hotel income	**13,937**	16,128
Rental income	**27,011**	6,819
	8,212,074	6,553,989

Represented by:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue from sales of properties, construction and project management services and hotel operation		
Recognised at a point in time	**7,666,996**	6,065,800
Recognised over time	**518,067**	481,370
	8,185,063	6,547,170
Revenue from other sources:		
Rental income	**27,011**	6,819
	8,212,074	6,553,989

6. Revenue (continued)

(a) Details of contract assets:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Costs for obtaining contracts	**14,552**	15,810

Management expects the incremental costs, primarily sales commission and stamp duty, incurred for obtaining the property sales contracts are recoverable. The Group capitalised these incremental costs and amortised them when the related revenue is recognised. There was no impairment loss in relation to the costs capitalised.

(b) Details of contract liabilities:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Contract liabilities related to sales of properties	**20,921,303**	15,270,289
Contract liabilities related to construction and project management services	**–**	52,058
	20,921,303	15,322,347

The Group receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance under the contracts for property development and sales.

The following table shows the revenue recognised related to carried-forward contract liabilities.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Property development and sales	**7,818,193**	5,213,830
Construction and project management services	**41,077**	29,657
	7,859,270	5,243,487

6. Revenue (continued)

(c) Unsatisfied contracts related to sales of properties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Sales of properties		
Expected to be recognised		
– within one year	**9,507,862**	6,800,397
– after one year	**11,713,111**	10,979,304
	21,220,973	17,779,701

(d) Unsatisfied contracts related to construction and project management services

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Expected to be recognised		
– within one year	**12,903**	53,980

7. Expenses by nature

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of properties sold – including construction cost, land cost, capitalised interest expenses	**5,019,124**	4,748,960
Cost of construction services and others	**7,201**	7,172
Business taxes and other taxes	**94,954**	286,323
Staff costs (including directors' emoluments) *(Note 8)*	**289,383**	196,547
Marketing and advertising costs	**158,265**	111,598
Consulting fees	**73,541**	34,034
Property management fees	**18,233**	16,033
Office lease payments	**16,632**	15,510
Entertainment expenses	**23,577**	12,884
Office and travelling expenses	**32,147**	23,369
Depreciation *(Note 14)*	**11,624**	11,159
Amortisation of intangible assets	**969**	934
Auditor's remuneration	**1,600**	779
– Audit services	**1,500**	741
– Non-audit services	**100**	38
Listing expenses	**31,541**	595
Provision for impairment of trade and other receivables – net	**5,015**	5,862

8. Staff costs – including directors' emoluments

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	**291,227**	213,155
Pension costs – statutory pension	**44,683**	24,259
Others	**16,961**	9,496
Total employee benefits expenses	**352,871**	246,910
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(63,488)**	(50,363)
	289,383	196,547

8. Staff costs – including directors' emoluments (continued)

Pensions scheme – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

(a) Directors' emoluments

The directors' emoluments paid/payable by the Group are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fees, salaries and bonuses and other benefits	**2,616**	1,409
Pension costs	**237**	76
	2,853	1,485

The emoluments received by individual directors are presented as below:

(i) For the year ended 31 December 2018

Name of Directors	Fees	Salaries and other benefits	Discretionary bonuses	Contribution to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Hu Yiping	–	300	–	72	372
Mr. Fei Zhongmin	–	1,009	280	83	1,372
Ms. Feng Xia (Appointed on 8 January 2018)	–	747	280	82	1,109
Ms. Zhu Hong (Resigned on 8 January 2018)	–	–	–	–	–
Non-executive Directors*					
Mr. Hu Shihao (Appointed on 14 August 2018)	–	–	–	–	–
Total	–	2,056	560	237	2,853

* There were no fees or other emoluments payable to non-executive directors during the year ended 31 December 2018.

The Company appointed three independent non-executive directors on 11 January 2019.

8. Staff costs – including directors' emoluments (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2017

Name of Directors	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to retirement scheme RMB'000	Total RMB'000
Executive Directors					
Mr. Hu Yiping	–	–	–	–	–
Ms. Zhu Hong (Resigned on 8 January 2018)	–	–	–	–	–
Mr. Fei Zhongmin	–	1,009	400	76	1,485
	–	1,009	400	76	1,485

(iii) Directors' retirement benefits

No retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries for the year ended 31 December 2018 (2017: same).

(iv) Directors' termination benefits

None of the directors received any termination benefits for the year ended 31 December 2018 (2017: none).

(v) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2018, the Group did not pay consideration to any third parties for making available directors' services (2017: nil).

(vi) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

Save as disclosed in Note 36, as at 31 December 2018, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2017: nil).

(vii) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 36, no significant transactions, arrangements, and contracts in relations to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018.

8. Staff costs – including directors' emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 included 1 (2017: 1) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 (2017: 4) individuals during the year ended 31 December 2018 are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages and salaries and bonuses and other benefits	**5,413**	4,739
Pension costs – statutory pension	**314**	294
	5,727	5,033

The emoluments of these remaining individuals of the Group fell within the following bands:

	Year ended 31 December	
	2018	2017
Annual emolument band		
Nil to RMB876,200 (equivalent to nil to HKD1,000,000)	**–**	–
RMB876,200 to RMB1,314,300 (equivalent to HKD1,000,000 to HKD1,500,000)	**4**	4

9. Other income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Management and consulting service income *(Note a)*	**33,773**	60,328
Others	**3,492**	2,212
	37,265	62,540

(a) The amount represents the management and consulting services provided to the Group's joint ventures and associates in relation to the property development projects.

10. Other gains – net

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Gains on financial assets at fair value through profit or loss	**10,699**	20,520
Gains on disposal of a subsidiary *(Note a)*	**30,018**	–
Exchange gain	**10,468**	–
Others	**5,559**	314
	56,744	20,834

(a) During the year ended 31 December 2018, the Group disposed of interests in a subsidiary to a third party for a cash consideration of RMB90,000,000 and recognised a gain on disposal of RMB30,018,000 (2017: nil).

11. Finance costs/(income) – net

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Finance costs		
– Bank and other borrowings	**1,088,334**	912,652
– Less: capitalised interest	**(617,472)**	(484,721)
	470,862	427,931
Finance income		
Interest income from		
– Bank deposits	**(31,164)**	(18,346)
– Other receivables	**(22,110)**	(47,407)
– Amounts due from related parties	**(42,316)**	(40,729)
	(95,590)	(106,482)
Finance costs – net	**375,272**	321,449

12. Income tax expense

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	**673,218**	262,084
– PRC land appreciation tax	**503,638**	29,555
	1,176,856	291,639
Deferred income tax *(Note 17)*:		
– PRC corporate income tax	**(185,116)**	57,544
– PRC land appreciation tax	**33,862**	29,509
	(151,254)	87,053
	1,025,602	378,692

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**2,866,649**	1,218,061
Adjust for share of results of joint ventures and associates reported net of tax	**(579,065)**	(160,284)
	2,287,584	1,057,777
Tax calculated at applicable corporate income tax rate	**571,896**	264,444
Effect of expenses not deductible for income tax purpose	**39,311**	58,596
Effect of tax losses not recognised as deferred income tax assets	**11,270**	11,354
PRC land appreciation tax deductible for income tax purpose	**(134,375)**	(14,766)
Corporate income tax	**488,102**	319,628
PRC land appreciation tax	**537,500**	59,064
	1,025,602	378,692

12. Income tax expense (continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

PRC land appreciation tax ("LAT")

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

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the BVI Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax. The Group's subsidiaries in Hong Kong are subject to corporate income tax at the rate of 16.5%.

PRC dividend withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the PRC.

13. Dividend

The Board does not recommend to declare any final dividend for the year ended 31 December 2018.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Dividends declared and paid to the Group's then shareholders by the Group's subsidiary	**300,000**	200,000

The rates for dividend and the number of shares ranking for dividend is not presented as such information is not considered meaningful for the purpose of the consolidated financial statements.

14. Property, plant and equipment

	Buildings and leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017					
Cost	126,559	6,683	8,427	482	142,151
Accumulated depreciation	(21,865)	(4,865)	(5,071)	–	(31,801)
Net book amount	104,694	1,818	3,356	482	110,350
Year ended 31 December 2017					
Opening net book amount	104,694	1,818	3,356	482	110,350
Additions	10,811	941	2,250	717	14,719
Disposals	(5,459)	(10)	(56)	–	(5,525)
Depreciation	(11,202)	(609)	(1,390)	–	(13,201)
Closing net book amount	98,844	2,140	4,160	1,199	106,343
At 31 December 2017					
Cost	128,415	7,428	9,621	1,199	146,663
Accumulated depreciation	(29,571)	(5,288)	(5,461)	–	(40,320)
Net book amount	98,844	2,140	4,160	1,199	106,343
Year ended 31 December 2018					
Opening net book amount	**98,844**	**2,140**	**4,160**	**1,199**	**106,343**
Additions	**10,429**	**1,583**	**4,650**	**51,096**	**67,758**
Disposals	**(2,579)**	**(40)**	**(123)**	**–**	**(2,742)**
Depreciation	**(14,971)**	**(1,331)**	**(1,908)**	**–**	**(18,210)**
Closing net book amount	**91,723**	**2,352**	**6,779**	**52,295**	**153,149**
At 31 December 2018					
Cost	**134,498**	**8,504**	**12,589**	**52,295**	**207,886**
Accumulated depreciation	**(42,775)**	**(6,152)**	**(5,810)**	**–**	**(54,737)**
Net book amount	**91,723**	**2,352**	**6,779**	**52,295**	**153,149**

14. Property, plant and equipment (continued)

Depreciation has been charged to the consolidated income statements as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**6,089**	5,256
Selling and marketing expenses	**778**	920
Administrative expenses	**4,757**	4,983
Properties under development	**6,586**	2,042
	18,210	13,201

All buildings were located in the PRC.

As at 31 December 2018, properties with carrying amount of RMB58,890,000 (2017: RMB44,980,000) were pledged as collateral for the Group's borrowings (Note 30).

15. Land use rights

	RMB'000
Year ended 31 December 2017	
Opening net book amount	29,045
Amortisation	(846)
Closing net book amount	28,199
Year ended 31 December 2018	
Opening net book amount	**28,199**
Additions	**89,725**
Amortisation	**(3,089)**
Closing net book amount	**114,835**

Amounts represent the land use rights of hotels under construction. The relevant land use rights are on leases of 40 years and the land is located in the PRC.

Land use rights with a total carrying amount of RMB92,969,000 as at 31 December 2018 (2017: nil) were pledged as collateral for the Group's borrowings (Note 30).

16. Investment properties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Opening net book amount	**1,254,600**	774,000
Addition	**415,203**	254,493
Fair value changes	**191,717**	226,107
Disposal of a subsidiary	**(93,100)**	–
Closing net book amount	**1,768,420**	1,254,600
Rental income	**27,011**	6,819
Fair value gains on investment properties	**191,717**	226,107
	218,728	232,926

As at 31 December 2018 and 2017, the Group had no contractual obligations for repairs, maintenance or enhancements.

Investment properties with a total carrying amount of RMB1,228,817,000 as at 31 December 2018 (2017: RMB250,100,000) were pledged as collateral for the Group's borrowings (Note 30).

17. Deferred income tax

(a) Deferred income tax assets

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Tax losses	**240,364**	209,650
Impairment of assets	**9,499**	8,657
Deductible temporary differences of investments in subsidiaries	**222,861**	43,692
Others	**54,126**	38,635
Total deferred income tax assets	**526,850**	300,634
Set-off of deferred income tax liabilities	**(16,935)**	(55,302)
Net deferred income tax assets	**509,915**	245,332

17. Deferred income tax (continued)

(a) Deferred income tax assets (continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2018, the Group did not recognise deferred income tax assets of RMB40,316,000 (2017: RMB29,046,000) in respect of tax losses amounting to RMB161,264,000 (2017: RMB116,183,000), that can be carried forward against future taxable income. These tax losses will expire up to and including year 2023.

Movements of deferred income tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	**Tax losses**	**Impairment of assets**	**Deductible temporary differences of investments in subsidiaries**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	226,378	9,867	–	31,163	267,408
(Charge)/credit to profit or loss	(16,728)	(1,210)	43,692	7,472	33,226
At 31 December 2017	209,650	8,657	43,692	38,635	300,634
Credit to profit or loss	45,283	842	179,169	15,491	240,785
Disposal of a subsidiary	(14,569)	–	–	–	(14,569)
At 31 December 2018	**240,364**	**9,499**	**222,861**	**54,126**	**526,850**

(b) Deferred income tax liabilities

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Revaluation gains of investment properties	**186,184**	146,798
Recognition of contract revenue and contract costs over time	**43,391**	35,651
Deferred land appreciation tax	**64,847**	30,985
Total deferred income tax liabilities	**294,422**	213,434
Set-off of deferred income tax assets	**(16,935)**	(55,302)
Net deferred income tax liabilities	**277,487**	158,132

17. Deferred income tax (continued)

(b) Deferred income tax liabilities (continued)

Movements of deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	Revaluation gains of investment properties	Recognition of contract revenue and contract costs over time	Deferred land appreciation tax	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	90,271	1,408	1,476	93,155
Charge to profit or loss	56,527	34,243	29,509	120,279
At 31 December 2017	146,798	35,651	30,985	213,434
Charge to profit or loss	47,929	7,740	33,862	89,531
Disposal of investment properties	(8,543)	–	–	(8,543)
At 31 December 2018	**186,184**	**43,391**	**64,847**	**294,422**

18. Subsidiaries

(a) Material non-controlling interests

Set out below is the summarised financial information for a subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for the subsidiary is before inter-company eliminations.

Wenzhou Dexin Mingcheng Real Estate Co., Ltd.

Summarised balance sheet

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Current		
– Assets	**662,682**	1,719,196
– Liabilities	**(315,115)**	(1,581,377)
Total net current assets	**347,567**	137,819
Non-current		
– Assets	**50,066**	25,774
– Liabilities	**–**	(74,370)
Total net non-current assets/(liabilities)	**50,066**	(48,596)
Net assets	**397,633**	89,223
Proportionate share of the net assets attributable to non-controlling interests	**178,935**	40,150

18. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

Wenzhou Dexin Mingcheng Real Estate Co., Ltd (continued)

Summarised income statement and statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**1,360,191**	159,148
Profit/(loss) before income tax	**531,946**	(13,803)
Income tax expenses	**(223,536)**	(3,984)
Profit/(loss) for the year	**308,410**	(17,787)
Total comprehensive income for the year	**308,410**	(17,787)
Total comprehensive income for the year allocated to non-controlling interests	**138,785**	(8,004)

Summarised statement of cash flows

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(145,175)**	769,979
Net cash generated from/(used in) investing activities	**314,074**	(750,590)
Net cash used in financing activities	**(191,793)**	(191,801)
Net decrease in cash and cash equivalents	**(22,894)**	(172,412)
Cash and cash equivalents at beginning of the year	**26,378**	198,790
Cash and cash equivalents at end of the year	**3,484**	26,378

19. Investments accounted for using the equity method

(a) Investments accounted for using the equity method

(i) The amounts recognised in the consolidated balance sheets as "Investments accounted for using the equity method" are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Joint ventures	**790,774**	416,185
Associates	**1,218,095**	554,029
	2,008,869	970,214

(ii) The amounts recognised in the consolidated income statements as "Share of results of joint ventures and associates" are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Joint ventures	**197,065**	(8,163)
Associates	**382,000**	168,447
	579,065	160,284

19. Investments accounted for using the equity method (continued)

(b) Set out below are the principal joint ventures and associates of the Group as at 31 December 2018 and 2017. The place of incorporation or registration is also their principal place of business.

(i) Joint ventures:

Name of entity	Place of business/ place of incorporation and business	% of ownership interest As at 31 December 2018	2017	Measurement method	Principal activities
杭州華宇業瑞房地產開發有限公司 Hangzhou Huayu Yerui Real Estate Development Co., Ltd.	The PRC	**23%**	–	Equity Method	Property development
杭州華威德信投資有限公司 Hangzhou Huawei Dexin Investment Co., Ltd.	The PRC	**35%**	35%	Equity Method	Property development
樂清凱譽置業有限公司 Yueqing Kaiyu Real Estate Co., Ltd.	The PRC	**28%**	25%	Equity Method	Property development
浙江德信濱湖置業有限公司 Zhejiang Dexin Binhu Real Estate Co., Ltd.	The PRC	**40%**	40%	Equity Method	Property development
杭州京平置業有限公司 Hangzhou Jingping Real Estate Co., Ltd.	The PRC	**65%**	65%	Equity Method	Property development

19. Investments accounted for using the equity method (continued)

(b) (continued)

(ii) Associates:

Name of entity	Place of business/ place of incorporation and business	% of ownership interest As at 31 December 2018	2017	Measurement method	Principal activities
杭州德順置業有限公司 Hangzhou Deshun Real Estate Co., Ltd.	The PRC	**25%**	22%	Equity Method	Property development
浙江金澳置業有限公司 Zhejiang Jinao Real Estate Co., Ltd.	The PRC	**16%**	16%	Equity Method	Property development
溫州德信泓宸置業有限公司 Wenzhou Dexin Hongchen Real Estate Co., Ltd.	The PRC	**28%**	–	Equity Method	Property development
杭州浙旅萍水房地產開發有限公司 Hangzhou Zhelv Pingshui Real Estate Development Co., Ltd.	The PRC	**36%**	36%	Equity Method	Property development
九江市跨貿小鎮建設有限公司 Jiujiang Cross Trade Town Construction Co., Ltd.	The PRC	**20%**	20%	Equity Method	Property development
溫州新都置業有限公司 Wenzhou Xindu Real Estate Co., Ltd.	The PRC	**25%**	25%	Equity Method	Property development
德清德瑞置業有限公司 Deqing Derui Real Estate Co., Ltd.	The PRC	**28%**	28%	Equity Method	Property development
溫州德信龍瑞置業有限公司 Wenzhou Dexin Longrui Real Estate Co., Ltd	The PRC	**36%**	36%	Equity Method	Property development
義烏濱信房地產開發有限公司 Yiwu Binxin Real Estate Development Co., Ltd.	The PRC	**33%**	33%	Equity Method	Property development
廣州雲佳房地產開發有限公司 Guangzhou Yunjia Real Estate Development Co., Ltd.	The PRC	**25%**	25%	Equity Method	Property development
杭州杭派資產管理有限公司 Hangzhou Hangpai Assets Management Co., Ltd.	The PRC	**35%**	35%	Equity Method	Property development
杭州濱潤房地產開發有限公司 Hangzhou Binrun Real Estate Development Co., Ltd.	The PRC	**20%**	20%	Equity Method	Property development
溫州碧桂園房地產開發有限公司 Wenzhou Country Garden Real Estate Development Co., Ltd.	The PRC	**30%**	30%	Equity Method	Property development

19. Investments accounted for using the equity method (continued)

(b) (continued)

(ii) Associates: (continued)

Name of entity	Place of business/ place of incorporation and business	% of ownership interest As at 31 December 2018	2017	Measurement method	Principal activities
瑞安市中梁瑞置業有限公司 Rui'an Zhongliangrui Real Estate Co., Ltd.	The PRC	**20%**	20%	Equity Method	Property development
德清星辰房地產開發有限公司 Deqing Xingchen Real Estate Development Co., Ltd.	The PRC	**20%**	20%	Equity Method	Property development
杭州新城松郡房地產開發有限公司 Hangzhou Xincheng Songjun Real Estate Development Co., Ltd.	The PRC	**30%**	30%	Equity Method	Property development
溫州萬瑞置業有限公司 Wenzhou Wanrui Real Estate Co., Ltd.	The PRC	**35%**	35%	Equity Method	Property development
溫州萬賢置業有限公司 Wenzhou Wanxian Real Estate Co., Ltd.	The PRC	**20%**	–	Equity Method	Property development
德信地產(衢州)有限公司 Dexin Real Estate (Quzhou) Co., Ltd.	The PRC	**47%**	47%	Equity Method	Property development

19. Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates and joint ventures

(i) Set out below is the summarised financial information for Hangzhou Jingping Real Estate Co.,Ltd, which is a material joint venture to the Group.

Summarised balance sheet

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets	**–**	10,147
Current assets		
Cash and cash equivalents	**32,889**	47,535
Other current assets	**1,029,339**	2,962,074
	1,062,228	3,009,609
Total assets	**1,062,228**	3,019,756
Current liabilities		
Other current liabilities	**493,276**	2,777,640
Total liabilities	**493,276**	2,777,640
Net assets	**568,952**	242,116
The Group's share in %	**65%**	65%
Carrying amount	**369,819**	157,375

Summarised statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**2,567,808**	–
Interest income	**313**	1,087
Income tax (expense)/credit	**(434,833)**	5,303
Profit/(loss) for the year	**326,836**	(21,210)
Total comprehensive income for the year	**326,836**	(21,210)
Dividends received from the joint venture	**–**	–

19. Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates and joint ventures (continued)

(ii) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Hangzhou Jingping Real Estate Co., Ltd.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Opening net assets	**242,116**	263,326
Profit/(loss) for the year	**326,836**	(21,210)
Closing net assets	**568,952**	242,116
Interest in joint venture	**369,819**	157,375
Carrying value	**369,819**	157,375

(iii) Set out below is the summarised financial information for Dexin Real Estate (Quzhou) Co., Ltd., which is a material associate to the Group.

Summarised balance sheet

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets	**–**	11,196
Current		
Cash and cash equivalents	**132,295**	232,412
Other current assets	**3,203,550**	3,914,091
	3,335,845	4,146,503
Total assets	**3,335,845**	4,157,699
Current liabilities		
Other current liabilities	**3,107,131**	4,165,256
Total liabilities	**3,107,131**	4,165,256
Net assets	**228,714**	(7,557)
The Group's share in %	**47%**	47%
Carrying amount	**107,496**	–

19. Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates and joint ventures (continued)

(iii) (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**1,672,040**	1,676
Interest income	**4,513**	4,171
Income tax (expense)/credit	**(121,927)**	9,650
Profit/(loss) for the year	**236,271**	(28,951)
Total comprehensive income for the year	**236,271**	(28,951)
Dividends received from the associate	**–**	–

(iv) Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Dexin Real Estate (Quzhou) Co., Ltd.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Opening net assets	**(7,557)**	21,394
Profit/(loss) for the year	**236,271**	(28,951)
Closing net assets	**228,714**	(7,557)
Interest in associate	**107,496**	(3,552)
Carrying value	**107,496**	–

(v) Set out below are the summarised financial information for joint ventures, which are individually immaterial to the Group.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loss for the year	**(25,416)**	(31,808)
Other comprehensive income	**–**	–
Total comprehensive income for the year	**(25,416)**	(31,808)

19. Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates and joint ventures (continued)

(vi) Set out below are the summarised financial information for associates, which are individually immaterial to the Group.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**1,650,086**	469,249
Other comprehensive income	**–**	–
Total comprehensive income for the year	**1,650,086**	469,249

20. Financial instruments by category

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Financial assets:		
Assets at amortised cost		
– Trade and other receivables	**3,942,829**	2,635,336
– Amounts due from related parties	**2,778,822**	5,992,108
– Restricted cash	**1,295**	164,363
– Cash and cash equivalents	**7,486,911**	3,950,854
Financial assets at fair value through profit or loss	**364,655**	344,537
	14,574,512	13,087,198
Financial liabilities:		
Financial liabilities at amortised cost		
– Trade and other payables, excluding accrual for staff costs and allowances and other taxes payable	**4,716,965**	4,083,828
– Amounts due to related parties	**3,268,072**	2,908,471
– Borrowings	**12,131,040**	10,135,674
	20,116,077	17,127,973

21. Financial assets at fair value through profit or loss

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Wealth management products	**312,950**	321,487
Others	**51,705**	23,050
	364,655	344,537
Less: non-current portion	**(232,255)**	(184,056)
Current portion	**132,400**	160,481

Wealth management products were mainly investments in financial instruments issued by banks or other financial institutions, which had no guaranteed returns. They had initial terms ranging from 1 to 3 years. The fair values of these investments approximated their carrying values as at 31 December 2018 and 2017.

22. Properties under development and completed properties held for sale

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Properties under development	**27,684,622**	17,044,187
Completed properties held for sale	**345,610**	638,293
	28,030,232	17,682,480
Property under development comprise:		
– Construction costs	**4,673,273**	2,331,792
– Land use rights	**21,927,788**	14,022,560
– Interests capitalised	**1,083,561**	689,835
	27,684,622	17,044,187

22. Properties under development and completed properties held for sale (continued)

Properties under development and completed properties held for sale of the Group are all located in the PRC and expected to be completed and available for sale within normal operating cycle.

The capitalisation rate of borrowings is 9.5% for the year ended 31 December 2018 (2017: 8.6%).

As at 31 December 2018 and 2017, the Group's pledged properties held for sale and properties under development are set out as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Carrying amounts of completed properties held for sale and properties under development:		
– Pledged as collateral for the Group's borrowings	**15,896,943**	11,820,923

23. Trade and other receivables and prepayments

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables *(Note a)*		
– Third party	**199,094**	222,249
– Related party	**20,756**	82,694
Less: provision for impairment	**(1,421)**	(1,851)
	218,429	303,092
Notes receivables	**–**	1,179
Other receivables		
– Amounts due from non-controlling interests *(Note b)*	**3,135,801**	1,578,376
– Deposits for acquisitions of land use rights and property development projects	**–**	256,410
– Deposits for property development and construction projects	**476,006**	138,581
– Deposits for borrowings	**66,207**	20,895
– Cash advances with third parties	**41,075**	271,212
– Interest receivable	**7,760**	46,017
– Others	**18,836**	35,414
Less: provision for impairment	**(21,285)**	(15,840)
	3,724,400	2,331,065
Prepayments		
– Prepayments for acquisition of land use rights *(Note c)*	**730,400**	951,847
– Prepaid value added tax and other taxes	**1,094,033**	581,049
– Others	**71,054**	46,163
	1,895,487	1,579,059
Trade and other receivables and prepayments	**5,838,316**	4,214,395
Less: non-current portion of prepayments	**–**	(169,668)
Current portion of trade and other receivables and prepayments	**5,838,316**	4,044,727

23. Trade and other receivables and prepayments (continued)

(a) Ageing analysis of the trade receivables as at 31 December 2018 and 2017 based on invoice dates or contractual terms are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 90 days	**29,884**	67,183
Over 90 days and within 365 days	**10,058**	84
Over 365 days and within 2 years	**58,366**	235,617
Over 2 years	**121,542**	2,059
	219,850	304,943

Trade receivables are denominated in RMB and mainly arise from sales of properties and construction services. Proceeds from sales of properties and construction service are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

Trade receivables with ageing over 365 days mainly included receivables of construction service fees for two resettlement community projects, of which the customers are subsidiaries of the local State-owned Assets Supervision and Administration Commission. Management considers the credit risk is not high since these customers have no recent history of default. The Group maintains frequent communications with these customers. Management closely monitors the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

(b) As at 31 December 2018, amounts due from non-controlling interests included amounts of RMB95,000,000 (2017: RMB70,000,000), which carried interest at rates ranging from 4.75% to 12% per annum (2017: 4.75% to 10%). The remaining balance were interest free. All of the amounts due from non-controlling interests are unsecured and repayable on demand.

(c) Prepayments for acquisition of land use rights will be reclassified to properties under development when land certificates were obtained.

24. Restricted cash

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Denominated in RMB	**1,295**	164,363

The Group placed certain cash deposits with designated banks as security mainly for borrowings and issuance of commercial bills.

25. Cash and cash equivalents

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Denominated in		
– RMB	**7,479,699**	3,950,854
– USD	**5,862**	–
– HKD	**1,350**	–
	7,486,911	3,950,854

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

26. Share capital

	Number of ordinary shares	Nominal value of ordinary shares USD	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
As at 16 January 2018 (date of incorporation)	**50,000**	**50,000**	**322**
Sub-division of shares	**4,950,000**	**–**	**–**
Issue of ordinary shares	**95,000,000**	**950,000**	**6,526**
As at 31 December 2018	**100,000,000**	**1,000,000**	**6,848**
Issued:			
Issued upon incorporation on 16 January 2018	**50,000**	**50,000**	**322**
Sub-division of shares	**4,950,000**	**–**	**–**
Issue of ordinary shares	**95,000,000**	**950,000**	**6,526**
As at 31 December 2018	**100,000,000**	**1,000,000**	**6,848**

26. Share capital (continued)

As at the date of incorporation, the authorised share capital of the Company was US$50,000 divided into 50,000 shares with a par value of US$1 each.

On the date of incorporation, 50,000 ordinary shares of the Company were issued but not paid.

On 14 August 2018, each issued and unissued share with a par value of US$1.00 each was sub-divided into 100 shares with a par value of US$0.01 each. Upon completion of the share sub-division, the authorised share capital of the Company was US$50,000 divided into 5,000,000 shares with a par value of US$0.01 each. On 17 August 2018, the Company issued 6,000,000 shares and 89,000,000 shares to Createwisdom International Limited and Tak Shin International Limited respectively in connection with the Reorganisation and the authorised number of ordinary shares of the Company was increased to 100,000,000 with a par value of US$0.01 each.

Pursuant to the written resolutions passed by the shareholders on 11 January 2019, the Company sub-divided all its issued and unissued shares with par value of US$0.01 each into 20 shares of US$0.0005 each. Accordingly, the number of issued ordinary shares increased from 100,000,000 shares to 2,000,000,000 shares. In addition, the Company increased its authorised share capital from US$1,000,000 to US$2,500,000 divided into 5,000,000,000 shares with a par value of US$0.0005 each.

(i) Capitalisation issue

On 26 February 2019, the capitalisation issue pursuant to the shareholders' resolution dated 11 January 2019 was effected. The Company issued 100,000,000 ordinary shares at par value of US$0.0005 each to holders of shares on the register of members of the Company at the close of business of 26 February 2019, by way of capitalisation of an amount of US$50,000 standing to the credit of the share premium account of the Company.

(ii) Global offering

On 26 February 2019, the Company issued a total of 532,000,000 ordinary shares at a price of HK$2.80 per share as a result of the completion of the global offering.

69,341,000 shares were issued upon the exercise of the over-allotment option on 19 March 2019 at a price of HK$2.80 per share.

Number of total issued shares of the Company was increased to 2,701,341,000 shares upon completion of the capitalisation issue, the global offering and the exercise of over-allotment option.

27. Other reserves

Other reserves mainly represented the share premium and the accumulated capital contribution from the then shareholders of the group companies in excess of the consideration given in relation to the Reorganisation.

Deemed distribution to the then shareholders of the Group of RMB171,621,000 for the year ended 31 December 2018 represents mainly the premium paid by the Group to Kylin Investment Management Co., Ltd. ("Kylin Investment", note 36(a)) under the funding arrangement between the Group and Kylin Investment.

28. Statutory reserves

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid up capital of respective companies.

29. Earnings per share

In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2018 and 2017, the ordinary shares issued but not paid upon the incorporation of the Company, the ordinary shares issued in exchange for the Listing Business in the Reorganisation (Note 1.2), the sub-division of shares on 14 August 2018 and 11 January 2019 and the capitalisation issue (Note 26), were deemed to be issued on 1 January 2017 as if the Company has been incorporated by then.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**1,453,456**	737,543
Weighted average number of ordinary shares in issue (in thousand)	**2,034,411**	1,974,000
Basic earnings per share (RMB per share)	**0.71**	0.37

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

30. Borrowings

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings		
– Secured	**3,183,000**	2,077,502
– Unsecured	**–**	91,463
Other borrowings		
– Secured	**4,295,400**	4,206,042
– Unsecured	**1,281,820**	2,262,508
Less: current portion of non-current borrowings	**(4,336,362)**	(2,754,914)
	4,423,858	5,882,601
Borrowings included in current liabilities:		
Bank borrowings		
– Secured	**599,000**	100,000
– Unsecured	**–**	27,252
Other borrowings		
– Secured	**741,000**	526,000
– Unsecured	**2,030,820**	844,907
Current portion of non-current borrowings	**4,336,362**	2,754,914
	7,707,182	4,253,073
Total borrowings	**12,131,040**	10,135,674

As at 31 December 2018, all of the Group's borrowings were denominated in RMB (2017: same).

30. Borrowings (continued)

The Group's bank and other borrowings as at 31 December 2018 of RMB8,818,400,000 (2017: RMB6,909,544,000) were secured by certain buildings, land use rights, investment properties, equity interests of group companies, properties under development and completed properties held for sale of the Group with total carrying values of RMB19,442,200,000 (2017: RMB12,844,842,000).

In addition to pledge of assets, bank and other borrowings of RMB1,287,000,000 as at 31 December 2018 (2017: RMB3,306,500,000) were guaranteed by Mr. Hu or jointly by Mr. Hu and his spouse (Note 36), which were subsequently released.

Certain group companies in the PRC have entered into fund arrangements with trust companies and assets management companies, respectively, pursuant to which these financial institutions raised funds and injected them to the group companies. Certain equity interests of the group companies were held by the financial institutions as collateral of which the Group is obligated to redeem at predetermined prices. The funds bear fixed interest rates and have fixed repayment terms. Thus, the Group did not derecognise its equity interests in the subject group companies but treated the fund arrangements as other borrowings in the consolidated financial statements.

(a) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
6 months or less	**6,836,959**	9,433,674
6-12 months	**4,249,573**	702,000
1-2 years	**773,593**	–
2-5 years	**93,185**	–
Over 5 years	**177,730**	–
Total	**12,131,040**	10,135,674

(b) The repayment terms of the borrowings are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**7,707,182**	4,253,073
1 – 2 years	**3,522,943**	4,537,101
2 – 5 years	**723,185**	1,196,500
Over 5 years	**177,730**	149,000
Total	**12,131,040**	10,135,674

30. Borrowings (continued)

(c) The weighted average effective interest rates as at 31 December 2018 and 2017 are as follows:

	As at 31 December	
	2018	2017
Bank borrowings	**6.15%**	6.08%
Other borrowings	**9.09%**	9.18%
Weighted average effective interest rates	**8.36%**	8.33%

(d) The carrying amounts of the borrowings approximated their fair values as at 31 December 2018 and 2017 as the impact of discounting of borrowings was not significant.

31. Trade and other payables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables *(Note a)*	**1,400,010**	883,039
Notes payables	**7,612**	–
Other payables:		
Amounts due to non-controlling interests *(Note b)*	**2,561,246**	2,332,758
Other taxes payable	**371,566**	111,180
Payroll payable	**84,994**	98,774
Interests payable	**139,313**	155,423
Deposits received for sales of properties	**34,128**	52,438
Deposits from contractors and suppliers	**164,162**	117,191
Construction fees received on behalf of constructors	**299,540**	457,569
Others	**110,954**	85,410
	5,173,525	4,293,782

31. Trade and other payables (continued)

(a) The ageing analysis of the trade payables based on invoice dates or contractual terms is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 90 days	**1,207,401**	577,445
Over 90 days and within 365 days	**117,368**	108,079
Over 365 days	**75,241**	197,515
	1,400,010	883,039

(b) Amounts due to non-controlling interests mainly represented cash advances with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which were interest-free, unsecured and repayable on demand.

32. Cash (used in)/generated from operations

(a) Reconciliation of profit for the year to net cash (used in)/generated from operations.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax for the year	**2,866,649**	1,218,061
Adjustments for:		
– Depreciation of property, plant and equipment	**11,624**	11,159
– Interest expenses	**470,862**	427,931
– Interest income	**(95,590)**	(106,482)
– Gains on financial assets at fair value through profit or loss	**(10,699)**	(20,520)
– Gains on disposal of a subsidiary	**(30,018)**	–
– Gains from disposal of property, plant and equipment	**(400)**	(55)
– Amortisation of intangible assets	**969**	934
– Share of results of joint ventures and associates	**(579,065)**	(160,284)
– Fair value gains on investment properties	**(191,717)**	(226,107)
Cash generated from operations before changes in working capital	**2,442,615**	1,144,637
Changes in working capital:		
– Properties under development and completed properties held for sale	**(9,232,747)**	(6,474,321)
– Contract assets	**1,258**	(10,239)
– Contract liabilities	**5,695,881**	7,496,819
– Trade and other receivables and prepayments	**(384,121)**	(998,335)
– Trade and other payables	**209,654**	126,863
Cash (used in)/generated from operations	**(1,267,460)**	1,285,424

32. Cash (used in)/generated from operations (continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB'000	Amounts due to joint ventures and associates RMB'000	Net balance due to non-controlling interests RMB'000	Amounts due to other related parties RMB'000
Balance as at 1 January 2017	8,122,641	1,200,203	(513,560)	44,276
Cash Flows				
– Increase	9,393,651	1,786,739	2,487,717	61,559
– Decrease	(7,380,618)	(155,200)	(1,219,775)	(29,106)
Balance as at 31 December 2017/ 1 January 2018	10,135,674	2,831,742	754,382	76,729
Cash Flows				
– Increase	**13,240,202**	**1,101,232**	**4,119,973**	**105,487**
– Decrease	**(11,244,836)**	**(678,946)**	**(5,448,910)**	**(168,172)**
Balance as at 31 December 2018	**12,131,040**	**3,254,028**	**(574,555)**	**14,044**

33. Financial guarantee

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Guarantee in respect of mortgage facilities for certain purchasers *(note a)*	**9,830,260**	5,453,485
Guarantee provided for the borrowings of joint ventures and associates *(note b and note 36)*	**1,587,410**	1,392,900
Guarantee provided for the borrowings of entities controlled by Mr. Hu *(note b and note 36)*	**–**	574,738
Guarantee provided for the borrowings of third parties *(note b)*	**459,210**	74,500
	11,876,880	7,495,623

33. Financial guarantee (continued)

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value as at 31 December 2018 and 2017 is immaterial.

(b) Amounts represented the maximum exposure of the guarantees provided for the borrowings of the related parties and independent third parties at the respective balance sheet dates. The guarantees provided for the borrowings of entities controlled by Mr. Hu have been released during the year ended 31 December 2018. The directors consider that the likelihood of default in payments by the related parties and independent third parties is minimal and therefore the financial guarantee measured at fair value as at 31 December 2018 and 2017 is immaterial.

34. Commitments

(a) Commitments contracted for but not provided for are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
– Property development activities	**5,664,496**	1,999,451
– Property, plant and equipment	**8,622**	–
– Investments in joint ventures and associates	**60,284**	132,602
– Investment properties	**163,225**	162,155
	5,896,627	2,294,208

34. Commitments (continued)

(b) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
– Not later than one year	**10,647**	7,374
– Later than one year and not later than five years	**21,692**	25,119
	32,339	32,493

35. Transaction with non-controlling interests

(a) Acquisition of additional interest in subsidiaries

During the year ended 31 December 2018, the Group acquired additional equity interest of certain subsidiaries, the Group recognised a decrease in non-controlling interests and a decrease in equity attributable to owners of the Company. The differences between the carrying amounts of non-controlling interest acquired and consideration paid are set out below:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Total carrying amount of non-controlling interests acquired	**19,913**	8,862
Less: total consideration paid and payable to non-controlling interests	**(108,947)**	(39,758)
Total difference recognised within equity	**(89,034)**	(30,896)

(b) Disposal of ownership interest in subsidiaries without change of control

During the year ended 31 December 2018, the Group disposed of certain equity interest in subsidiaries without change of control. The Group recognised an increase in non-controlling interests and a decrease in equity attributable to owners of the Company as set out below.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Consideration received from non-controlling interests	**49,410**	–
Less: carrying amounts of the equity interest disposed of	**(51,528)**	–
Total difference recognised within equity	**(2,118)**	–

35. Transaction with non-controlling interests (continued)

(c) The aggregate effect of the above transactions with non-controlling interests on the equity attributable to owners of the Company are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Changes in equity attributable to owners of the Company arising from:		
– Acquisition of additional interest in subsidiaries	**(89,034)**	(30,896)
– Disposal of ownership interest in subsidiaries without loss of control	**(2,118)**	–
	(91,152)	(30,896)

36. Related party transactions

(a) The ultimate holding company of the Company is Tak Shin International Limited (BVI), and the ultimate controlling shareholder of the Company is Mr. Hu.

Kylin Investment was an investment management company controlled by Mr. Hu during 1 January 2017 to 29 June 2018. On 29 June 2018, Mr. Hu transferred his equity interests in Kylin Investment to independent third parties and Kylin Investment ceased to be a related party of the Group.

(b) Key management compensation

Key management compensation for the year ended 31 December 2018 and 2017 are set out below:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Key management compensation		
– Salaries and other employee benefits	**6,709**	7,225
– Pension costs	**491**	446
	7,200	7,671

36. Related party transactions (continued)

(c) Balances with related parties

As at 31 December 2018 and 2017, the Group had the following material balances with related parties:

	As at 31 December 2018 RMB'000	2017 RMB'000
(i) Joint ventures		
Trade receivables from related parties	**756**	9,674
Amounts due from related parties	**487,017**	510,999
– Trade	**–**	–
– Non-trade	**487,017**	510,999
Amounts due to related parties	**826,915**	148,882
– Trade	**–**	–
– Non-trade	**826,915**	148,882
Borrowings from joint ventures	**125,555**	–
(ii) Associates		
Trade receivables from related parties	**19,070**	71,905
Amounts due from related parties	**1,910,582**	2,272,542
– Trade	**15,000**	15,000
– Non-trade	**1,895,582**	2,257,542
Amounts due to related parties	**2,427,113**	2,682,860
– Trade	**–**	–
– Non-trade	**2,427,113**	2,682,860
Borrowings from associates	**633,950**	378,000
(iii) Entities controlled by Mr. Hu		
Trade receivables from related parties	**930**	1,115
Trade payables to related parties	**26,459**	24,324
Amounts due from related parties	**381,223**	3,208,567
– Trade	**220**	155
– Non-trade	**381,003**	3,208,412
Amounts due to related parties	**14,044**	76,729
– Trade	**12,297**	11,449
– Non-trade	**1,747**	65,280
Borrowings from entities controlled by Mr. Hu	**–**	110,349

36. Related party transactions (continued)

(c) Balances with related parties (continued)

Amounts due from/to related parties mainly represented the cash advances which were unsecured and repayable on demand.

The non-trade amounts due from entities controlled by Mr. Hu as at 31 December 2018 were subsequently settled.

(d) Transactions with related parties

During the year ended 31 December 2018 and 2017, the Group had the following significant transactions with related parties.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(i) Entities controlled by Mr. Hu		
Receiving of property management services	**19,156**	24,212
Receiving of construction and decoration services	**113,462**	31,116
Purchase of financial assets at fair value through profit or loss	**301,290**	161,006
Receiving of financing and management services	**48,642**	39,417
Interest income	**11,593**	–
Interest expenses	**23,006**	5,206
(ii) Joint ventures		
Rendering of management and consulting services	**4,137**	12,524
Interest income	**5,572**	25,276
Interest expenses	**8,801**	–
(iii) Associates		
Rendering of management and consulting services	**19,086**	47,733
Interest income	**25,151**	15,453
Interest expenses	**2,035**	5,386
(iv) Close family members of Mr. Hu		
Sales of properties	**3,145**	8,533

The prices for the above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

36. Related party transactions (continued)

(e) Guarantee with related parties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Provision of guarantee for borrowings of related parties		
– Entities controlled by Mr. Hu	**–**	574,738
– Joint ventures	**157,500**	630,000
– Associates	**1,429,910**	762,900
	1,587,410	1,967,638
Received guarantee from Mr. Hu or Mr. Hu and his spouse in connection with the Group's borrowings	**1,287,000**	3,306,500

(f) Borrowings from related parties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beginning of the year	**488,349**	149,500
Addition	**966,855**	762,025
Repayments	**(695,699)**	(423,176)
End of the year	**759,505**	488,349

Borrowings from related parties carried variable interest rates ranging from 4.35% to 13% per annum as at 31 December 2018 (2017: 4.35% to 13% per annum). The terms of the loans were between 1 months to 12 months (2017: same).

37. Particulars of subsidiaries

Particulars of the principal subsidiaries of the Group as at 31 December 2018 and 2017 are set out as below.

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital RMB	Paid up capital RMB	Proportion of ownership interest 31 December 2018	2017
德信地產集團有限公司 Dexin Real Estate Group Co., Ltd.	01/09/1995	Limited liability company	The PRC	Property development	1,007,000,000	1,007,000,000	**100%**	100%
浙江德潤置業有限公司 Zhejiang Derun Real Estate Co., Ltd.	06/08/2009	Limited liability company	The PRC	Property development	5,000,000	5,000,000	**51%**	51%
德清德藍置業有限公司 Deqing Delan Real Estate Co., Ltd.	11/12/2006	Limited liability company	The PRC	Property development	30,000,000	30,000,000	**100%**	100%
溫州德信置業有限公司 Wenzhou Dexin Real Estate Co., Ltd.	29/03/2013	Limited liability company	The PRC	Property development	10,000,000	10,000,000	**51%**	51%
溫州德信生態園置業有限公司 Wenzhou Dexin Ecological Park Real Estate Co.,Ltd.	02/07/2013	Limited liability company	The PRC	Property development	100,000,000	100,000,000	**100%**	100%
溫州德信廣景置業有限公司 Wenzhou Dexin Guangjing Real Estate Co., Ltd.	28/10/2013	Limited liability company	The PRC	Property development	138,000,000	138,000,000	**75%**	75%
溫州德信梧田置業有限公司 Wenzhou Dexin Wutian Real Estate Co., Ltd.	16/07/2013	Limited liability company	The PRC	Property development	10,000,000	10,000,000	**65%**	65%
溫州德信明成置業有限公司 Wenzhou Dexin Mingcheng Real Estate Co., Ltd.	10/12/2013	Limited liability company	The PRC	Property development	150,000,000	150,000,000	**55%**	55%
徐州德信置業有限公司 Xuzhou Dexin Real Estate Co., Ltd.	09/03/2010	Limited liability company	The PRC	Property development	20,000,000	20,000,000	**100%**	100%

37. Particulars of subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital RMB	Paid up capital RMB	Proportion of ownership interest 31 December 2018	2017
浙江德信東杭置業有限公司 Zhejiang Dexin Donghang Real Estate Co., Ltd.	29/10/2010	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**55%**	55%
杭州德冠投資有限公司 Hangzhou Deguan Investment Co., Ltd.	06/12/2013	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**100%**	100%
溫州德信金田置業有限公司 Wenzhou Dexin Jintian Real Estate Co., Ltd.	28/09/2015	Limited liability company	The PRC	Property development	70,000,000	70,000,000	**65%**	65%
浙江德信匯運置業有限公司 Zhejiang Dexin Huiyun Real Estate Co., Ltd.	16/10/2009	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**75%**	75%
浙江德信中順置業有限公司 Zhejiang Dexin Zhongshun Real Estate Co., Ltd.	28/09/2014	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**60%**	60%
瑞安市德信置業有限公司 Ruian Dexin Real Estate Co., Ltd.	18/02/2016	Limited liability company	The PRC	Property development	20,000,000	20,000,000	**75%**	75%
德信地產(麗水)有限公司 Dexin Real Estate (Lishui) Co., Ltd. *(Note a)*	13/10/2016	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**51%**	45%
德清德宇置業有限公司 Deqing Deyu Real Estate Co., Ltd.	24/10/2016	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**70%**	63%
浙江德廣置業有限公司 Zhejiang Deguang Real Estate Co., Ltd. *(Note a)*	23/08/2016	Limited liability company	The PRC	Property development	100,000,000	100,000,000	**51%**	51%
德信地產(舟山)有限公司 Dexin Real Estate (Zhoushan) Co., Ltd.	29/12/2016	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**86%**	86%

37. Particulars of subsidiaries (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital RMB	Paid up capital RMB	Proportion of ownership interest 31 December 2018	2017
浙江德鴻置業有限公司 Zhejiang Dehong Real Estate Co., Ltd.	29/08/2017	Limited liability company	The PRC	Property development	200,000,000	200,000,000	**54%**	60%
溫州德信凱城置業有限公司 Wenzhou Dexin Kaicheng Real Estate Co., Ltd. *(Note a)*	30/05/2016	Limited liability company	The PRC	Property development	20,000,000	20,000,000	**50%**	47%
溫州德信時代置業有限公司 Wenzhou Dexin Shidai Real Estate Co., Ltd. *(Note b)*	23/01/2017	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**31%**	27%
慈溪市梁建置業有限責任公司 Cixi Liangjian Real Estate Co., Ltd. *(Note a)*	04/07/2017	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**34%**	34%
溫州德信甌潤置業有限公司 Wenzhou Dexin Ourun Real Estate Co., Ltd. *(Note a)*	21/02/2017	Limited liability company	The PRC	Property development	100,000,000	100,000,000	**32%**	31%
德清錦鴻置業有限公司 Deqing Jinhong Real Estate Co., Ltd. *(Note b)*	09/10/2017	Limited liability company	The PRC	Property development	200,000,000	200,000,000	**32%**	34%
衢州德信置業有限公司 Quzhou Dexin Real Estate Co., Ltd. *(Note a)*	26/06/2017	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**24%**	26%
杭州潤豐鴻業房地產開發有限公司 Hangzhou Runfeng Hongye Real Estate Development Co., Ltd. *(Note a)*	13/03/2012	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**27%**	27%
德清凱銀置業有限公司 Deqing Kaiyin Real Estate Co., Ltd. *(Note a)*	17/01/2011	Limited liability company	The PRC	Property development	50,000,000	50,000,000	**50%**	46%
浙江德晨置業有限公司 Zhejiang Dechen Real Estate Co., Ltd.	16/10/2017	Limited liability company	The PRC	Property development	200,000,000	200,000,000	**63%**	65%

37. Particulars of subsidiaries (continued)

The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

(a) The Group has controlled these companies through agreements entered into with certain minority shareholders pursuant to which the minority shareholders confirmed to act in accordance with the Group in decision on relevant activities including but not limited to budget, pricing and promotion strategies of these companies. As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities, these companies are thus accounted for as subsidiaries of the Group.

(b) The Group indirectly held these companies through intermediate holding companies, of which the Group held the majority position and existing right to decide the business operation and financing policies of these companies. The proportion of equity interests represents the effective equity interests attributable to the Group.

38. Disposal of a subsidiary

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Disposal consideration		
Cash received	**90,000**	–
Total net assets disposed of	**59,982**	–
Gains on disposal	**30,018**	–
Cash proceeds from disposal, net of cash disposed of		
– From third parties	**90,000**	–
– Cash and cash equivalents of the subsidiary disposal of	**(53,349)**	–
Net cash inflow on disposal	**36,651**	–

39. Subsequent events

Save as disclosed elsewhere in this report, there is no significant event took place subsequent to 31 December 2018.

40. Balance sheet and reserve movements of the Company

	Note	31 December 2018 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries		1,738,541
Current assets		
Cash and cash equivalents		272
Amounts due from shareholder		322
Prepayments		10,239
		10,833
Total assets		1,749,374
EQUITY		
Equity attributable to owners of the Company		
Share capital		6,848
Reserves	*a*	1,700,746
		1,707,594
LIABILITIES		
Current liabilities		
Other payables		15,732
Amount due to a subsidiary		26,048
		41,780
Total liabilities		41,780
Total equity and liabilities		1,749,374

The balance sheet of the Company was approved by the Board of Directors on 28 March 2019 and was signed on its behalf.

Hu Yiping	**Feng Xia**
Director	*Director*

40. Balance sheet and reserve movements of the Company (continued)

(a) Reserve movements of the Company

	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 16 January 2018 (date of incorporation)	–	–	–
Deemed contribution *(note)*	1,727,906	–	1,727,906
Loss for the period	–	(27,160)	(27,160)
At 31 December 2018	1,727,906	(27,160)	1,700,746

Note: Deemed contribution represented mainly the excess of the aggregate net asset values of the listing business over the par value of the Company's shares issued in exchange pursuant to the Reorganisation.

Financial Summary

RESULTS

	Year ended December 31			
	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	5,695,479	6,979,701	6,553,989	**8,212,074**
Profit before income tax	115,355	798,392	1,218,061	**2,866,649**
Income tax expenses	(50,696)	(284,981)	(378,692)	**(1,025,602)**
Profit for the year	64,659	513,411	839,369	**1,841,047**
Other comprehensive income	–	–	–	**–**
Total comprehensive income for the year	64,659	513,411	839,369	**1,841,047**
Attributable to:				
Owners of the company	30,950	330,809	737,543	**1,453,456**
Non-controlling interests	33,709	182,602	101,826	**387,591**
	64,659	513,411	839,369	**1,841,047**

ASSETS AND LIABILITIES

	As at December 31			
	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	15,882,662	21,178,677	35,417,221	**49,609,447**
Total liabilities	14,688,328	19,639,275	33,233,472	**42,740,810**
Net assets	1,194,334	1,539,402	2,183,749	**6,868,637**
Owners of the company	838,790	1,084,436	1,514,799	**2,473,466**
Non-controlling interests	355,544	454,966	668,950	**4,395,171**
Total equity	1,194,334	1,539,402	2,183,749	**6,868,637**