銀城國際控股有限公司
YINCHENG INTERNATIONAL HOLDING CO.,LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1902

2018 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

HUANG Qingping (黃清平) *(Chairman)*
XIE Chenguang (謝晨光)

Executive Directors

MA Baohua (馬保華)
ZHU Li (朱力)
WANG Zheng (王政)
SHAO Lei (邵磊)

Independent Non-executive Directors

CHEN Shimin (陳世敏)
CHAN Peng Kuan (陳炳鈞)
LAM Ming Fai (林名輝)

AUDIT COMMITTEE

CHEN Shimin (陳世敏) *(Chairman)*
CHAN Peng Kuan (陳炳鈞)
HUANG Qingping (黃清平)

NOMINATION COMMITTEE

HUANG Qingping (黃清平) *(Chairman)*
CHEN Shimin (陳世敏)
CHAN Peng Kuan (陳炳鈞)

REMUNERATION COMMITTEE

CHAN Peng Kuan (陳炳鈞) *(Chairman)*
CHEN Shimin (陳世敏)
MA Baohua (馬保華)

COMPANY SECRETARY

Wong Yu Kit (黃儒傑)

AUTHORISED REPRESENTATIVES

MA Baohua (馬保華)
ZHU Li (朱力)

REGISTERED OFFICE

Sertus Chambers
Governors Square, Suite #5-204,
23 Lime Tree Bay Avenue
P.O. Box 2547, Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Part of 19–21 Floors
Block A Yincheng Plaza
289 Jiangdongbeilu
Nanjing
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4502, 45/F
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

HONG KONG SHARE REGISTRAR

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

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISER

Reynolds Porter Chamberlain
3802–06, 38/F One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited
40/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China — Nanjing
West Branch
289 Jiangdongbeilu
Gulou District
Nanjing

Bank of Jiangsu — Head Office, Sales Department
26 Zhonghualu
Qinhuai District
Nanjing

Agricultural Bank of China — Nanjing Jianye Branch
207 Jiangdongzhonglu
Jianye District
Nanjing

Bank of Communications — Jiangsu Branch
218 Lushan Road
Jianye District
Nanjing

China Construction Bank — Nanjing
Zhongshan Branch
9 Hongwubeilu
Xuanwu District
Nanjing

COMPANY'S WEBSITE

www.yincheng.hk

STOCK CODE

1902

FINANCIAL HIGHLIGHTS

- Revenue in 2018 was RMB5,070.1 million, representing an increase of 8.4% as compared to RMB4,675.6 million in 2017.
- Gross profit in 2018 was RMB1,470.1 million, representing an increase of approximately 87.6% as compared to RMB783.5 million in 2017. Gross profit margin in 2018 was 29.0%, indicating an increase of 12.2 percentage points as compared to 2017.
- Profit and total comprehensive income in 2018 attributable to owners of the Company was RMB442.4 million, indicating an increase of 5.3% as compared to RMB420.2 million in 2017.
- Core net profit of the Company was RMB484.2 million, representing an increase of 29.2% as compared to 2017. Core net profit margin was 9.6%, achieving an increase of 1.6 percentage points as compared to 2017.
- Earnings per share attributable to ordinary equity holders of the Company in 2018 was RMB0.47 per share.
- In respect of the Group together with its joint ventures and associates, contracted sales amount in 2018 was RMB9,544.6 million, representing an increase of 65.7% as compared to 2017; contracted sales GFA was 501,588 sq.m., indicating an increase of 139.9% as compared to 2017.

	For the year ended 31 December			
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**5,070,094**	4,675,644	2,502,980	2,090,887
Profit for the year	**495,322**	390,609	369,664	198,553
Profit for the year attributable to owners of the Company	**442,440**	420,219	348,144	91,700

	As at 31 December			
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Non-current assets	**2,023,454**	1,168,676	960,823	585,525
Current assets	**23,516,121**	14,736,021	13,086,745	9,058,889
Non-current liabilities	**5,269,889**	4,337,300	3,094,971	530,194
Current liabilities	**17,859,387**	9,580,952	9,119,147	7,130,822
Net assets	**2,410,299**	1,986,445	1,833,450	1,983,398
Total equity	**2,410,299**	1,986,445	1,833,450	1,983,398
Total equity attributable to owners of the Company	**1,568,599**	1,330,859	1,573,182	1,809,989

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I am pleased to present you the annual results of Yincheng International Holding Co., Ltd. (the "Company"), together with its subsidiaries (the "Group") for the year ended 31 December 2018 and our business review for 2018 and outlook for 2019.

BUSINESS REVIEW OF 2018

In 2018, the continuous overall control of the PRC property market of the People's Republic of China ("PRC") and the significant decline in market pace reflects the continuous and in-depth control policy which gradually achieved an effect of stabilizing the market and stabilizing expectations. The market differentiations in first-, second-, and third- and fourth-tier cities became more significant, and the overall market transactions were lacklustre. Especially in the third quarter, housing prices in some cities have not maintained the same speed of increase, and the property market entered its own adjustment period. With the continuous entrenchment of the control policy, a number of property enterprises have taken the opportunity to speed up their promotion of new prefaces to the market, ensure the stable operation through diversified business segments, and achieve a breakthrough in the market.

2018 was a meaningful year during which the Group achieved a historical milestone. In a challenging market environment, the Group confidently launched a plan to become a listed company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") through the support and dedication of all employees of the Group. The successful entry into the overseas capital market in March 2019 marked a new chapter in the Group's future development. The Group focuses on the Yangtze River Delta Economic Zone and continues to expand its core focus cities. The existing market position and strategic position of the Yangtze River Delta Economic Zone have placed the Group in a favorable position to continuously tap into the tremendous growth potential of the Chinese property market. Combined with its own stable developmental and operational foundation and the joint efforts of its employees, the Group has achieved significant development in the following aspects in 2018: The Group's overall operating efficiency increased significantly. Revenue and gross profit increased by 8.4% and 87.6% year-on-year to RMB5,070.1 million and RMB1,470.1 million, respectively. Core net profit increased by 29.2% to RMB484.2 million. Gross profit margin increased by 12.2 percentage points to 29.0% and core net profit margin increased by 1.6 percentage points to 9.6%; the Company's asset scale has further expanded at the same time, total assets increased significantly by 60.6% to RMB25,539.6 million, total equity increased by 21.3% to RMB2,410.3 million. Although the debt ratio of the Group continued to increase with the growth of development scale, the net gearing ratio[(1)] at the end of 2018 was 3.5 times, but after the successful listing, the net gearing ratio has dropped significantly to 2.5 times, returning to a level similar to 2017. In 2018, the Group entered into five new cities, including Hangzhou, Xuzhou, Hefei, Zhenjiang and Ma'anshan. The Group acquired a total of 10 new land parcels in 2018, which mainly located in cities such as Nanjing, Wuxi, Hangzhou, Xuzhou, Zhenjiang and Ma'anshan. The Group also cooperated with third-party business partners to jointly acquire five land parcels in cities such as Wuxi, Suzhou, Hefei and Ma'anshan.

Based in Nanjing with presence across the Yangtze River Delta, the Group's developmental strength and industry position have been recognized by the industry. The Group ranked 93rd among the Top 100 Real Estate Developers in China in 2018 and was awarded as one of the Top 10 Real Estate Developers in Jiangsu Province in the same year according to the Enterprise Research Institute of Development Research Centre of the State Council (國務院發展研究中心企業研究所), Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院). The Group has also been recognized by the Jiangsu Real Estate Association (江蘇省房地產業協會) as one of the top 50 enterprises in the real estate development industry of Jiangsu Province in terms of comprehensive strength consecutively for 16 years since 2002 and ranked second on such list in 2017.

Note: (1) Net gearing ratio = (total interest-bearing liabilities – cash and cash equivalents – restricted cash – pledged deposits)/ total equity

The contracted sales amount of the Group together with its joint ventures and associates was RMB9,544.6 million in 2018, achieving an increase of 65.7% as compared to 2017. In addition to the significant increase in contracted sales of Nanjing and Wuxi, the sales contribution of Suzhou, Zhenjiang and Ma'anshan was newly included, which shows that the Group's development strategy has gained market recognition and provided a driving force for further increase in future earnings.

As of 31 December 2018, the Group had a land bank with a total GFA of over 3,437,238 sq.m. on an attributable basis, which mainly distributed in the core focus cities of the Yangtze River Delta Economic Zone, including Nanjing, Wuxi, Suzhou, Hangzhou, Hefei, Zhenjiang, Ma'anshan and Xuzhou. Quality land bank has laid a solid foundation for the Company's future growth.

OUTLOOK FOR 2019

In 2019, the domestic and international market environment still faces some uncertainties, and the economic development of China is still facing a downward pressure. In the property industry, it is expected that the central and local governments will continue to work towards the direction of maintaining the stability of the property market, including ascertaining "no speculation of residential properties" and "adopting different policies for different cities". On the other hand, maintaining the stability of the property market under the current economic outlook is an important component of China's stable economy. Combined with the overall consideration of developing an effective mechanism over the long term, the stability of the traditional sales market is also an important prerequisite for housing policy reform. Meanwhile, the Group considers that the ongoing improvement of residents' income and urbanization level is the fundamental driving force for the development of the property market. In view of the fact that China's urbanization process has just passed the midway point, it is expected that the urban population will continue to increase at a considerable rate in the next 5 to 10 years, and the housing demand due to urbanization will remain sustainable. In addition, the economic development of China maintains a stable actual growth rate, and the disposable income of urban residents can still maintain a medium-speed growth, which will also provide solid support for the improved demand for housing. We believe that there remains plenty of room for growth in China's property industry.

For the market structure, it is expected that the concentration of domestic property market will continue to increase in the future. From the perspective of enterprises, the advantages of scale, capital and products can bring strong edge in financing, land acquisition and property sale. In recent years, the rapid rise of property enterprises worth RMB100 billion has also put forward new requirements and goals for companies on multi-channel expansion and strengthening the business rapidly. Although the Group currently is of potential scale, the Group's excellent market brand and reputation, its historical and deep-rooted economic development potential in the region and its strong market foundation, solid established developmental and operational capabilities, and its quality property products "with healthy, comfortable, smart and convenient living environment for customers of all ages" ("全齡宜居、健康舒適、智慧便捷"), have laid a sound foundation for entering the fast track of future development. The Group has strategically started to accelerate the accumulation of land bank in 2017, entering the cities such as Suzhou, Zhenjiang, Hangzhou, Xuzhou, Ma'anshan and Hefei. Calculated based on interest, the GFA under development was 2,339,835 sq.m., and planned GFA of future development was 825,948 sq.m. as of the end of 2018.

Meanwhile, it is timely for the Group to successfully achieve the listing on the Main Board of the Stock Exchange this year, which not only marks the historic breakthrough of the Group in the overseas capital market, but also has a profound and far-reaching strategic significance for the long-term development of the Group and in terms of the development of the current industry. The Group fully believes that the successful listing brings many benefits, which not only opens the door to international capital market, expands financing channels and improves debt structure to achieve its goal of consolidating its financial strength, but also brings benefits in optimizing its internal management structure and organizational structure to attract quality talents to join and create more high-quality and highly competitive property products.

CHAIRMAN'S STATEMENT

The cities where the Group's projects are located mainly concentrate in Yangtze River Delta region, the unique geographical advantages of the region will remain substantial in the future. Due to its prosperous economic development and growing population, the Group believes the residential properties development market has significant growth potential. Looking forward, the Group will continue to focus on the Nanjing market and strategically expand its reach in other cities in the Yangtze River Delta region; further upgrade the product quality, improve customer service, and continuously create value for our customers; make business development more flexible by adopting a diversified development strategy; continue to develop properties with environmental and healthy design concepts, and strive to develop high-quality products that integrate environment, health and intelligence; strengthen project management and execution capabilities to further accelerate asset turnover and improve operational efficiency while maintaining property quality; continue to focus on brand management and talent system construction, and strive to improve the brand reputation of our company and the internal and external customers' loyalty and satisfaction, enhance the corporate value, and strive to become the leading quality property developer of all ages in the Yangtze River Delta region.

The successful listing marks the beginning of a new developmental milestone on a higher platform for the Group. A journey of a thousand miles begins with a single step. Relying on talents, the Group is able to continue to grow and develop. The "Yincheng People" and the Yincheng Corporate Values will provide an intrinsic driving force for us to move toward higher goals, which is the pride and most cherished valuable asset of the Group. On behalf of the Board, I would like to express my most sincere gratitude to all the employees who have worked hard and fulfilled their responsibilities over the years, and the team that worked hard during the listing process. Meanwhile, we are deeply grateful to our customers, shareholders and friends who care about and support us. In the future, the Group will continue to analyze and seize market opportunities and firmly keep to the path of efficient operation, and to create more fruitful returns for our shareholders and employees.

Yincheng International Holding Co., Ltd.
HUANG Qingping
Chairman

Nanjing, China
25 March 2019

BUSINESS REVIEW

Property Development

The Group is an established property developer in the PRC focusing on developing quality residential properties in the Yangtze River Delta Megalopolis for customers of all ages. We commenced our property development operations in Nanjing and successfully expanded our footprint to other cities in the Yangtze River Delta Megalopolis, including Wuxi, Suzhou, Zhenjiang, Hangzhou, Ma'anshan and Hefei.

For the year ended 31 December 2018, the Group continued to focus on developing quality residential properties in the Yangtze River Delta Megalopolis while expanding its footprint to other cities in the Yangtze River Delta Megalopolis, including Wuxi, Suzhou, Xuzhou, Zhenjiang, Hangzhou, Ma'anshan and Hefei. In the year ended 31 December 2018, the Group acquired 15 new land parcels in Nanjing and the other cities as mentioned above, with an aggregate site area of approximately 1,080,154 sq.m. and aggregate planned GFA of approximately 2,849,741 sq.m..

Contracted Sales

For the year ended 31 December 2018, the Group together with its joint ventures and associates recorded an aggregate contracted sales of approximately RMB9,544.6 million, represented a year-on-year increase of approximately 65.7% compared to the year ended 31 December 2017, which was mainly attributable to the increase in GFA in the projects developed by the Group together with its joint ventures and associates in cities such as Wuxi, Suzhou and Zhenjiang as a result of the development strategy implemented by the Group. For the year ended 31 December 2018, the Group together with its joint ventures and associates recorded aggregate GFA of approximately 501,588 sq.m., represented a year-on-year increase of approximately 139.9% compared to the aggregate GFA of approximately 209,042 sq.m. recorded in the year ended 31 December 2017.

For the year ended 31 December 2018, the average selling price ("**ASP**") recorded in the contracted sales of the Group together with its joint ventures and associates was approximately RMB19,029 per sq.m. while that recorded for the year ended 31 December 2017 was approximately RMB27,555 per sq.m., such decrease was mainly due to the increase in proportion of sale of properties with relatively lower prices.

Contracted sales from Nanjing, Wuxi, Suzhou, Zhenjiang and Ma'anshan contributed to approximately 52.7%, 27.0%, 8.2%, 8.3% and 3.8% respectively of the total contracted sales of the Group together with its joint ventures and associates in 2018.

The following table sets out the geographic breakdown of the contracted sales of the Group together with its joint ventures and associates in 2018 with comparative figures in 2017.

City	For the year ended 31 December 2018			% of contracted sales in 2018	For the year ended 31 December 2017			% of contracted sales in 2017
	Contracted GFA sold sq.m.	Contracted sales RMB'000	Contracted ASP RMB/sq.m.		Contracted GFA sold sq.m.	Contracted sales RMB'000	Contracted ASP RMB/sq.m.	
Nanjing	215,640	5,033,455	23,342	52.7%	163,541	4,955,259	30,300	86.0%
Wuxi	167,871	2,574,626	15,337	27.0%	45,501	804,855	17,689	14.0%
Suzhou	33,488	784,860	23,437	8.2%	–	–	–	–
Zhenjiang	51,899	790,800	15,237	8.3%	–	–	–	–
Ma'anshan	32,690	360,820	11,038	3.8%	–	–	–	–
Total	501,588	9,544,562	19,029	100.0%	209,042	5,760,114	27,555	100.0%

GFA delivered and revenue recognised from sale of properties

For the year ended 31 December 2018, total GFA delivered amounted to approximately 199,523 sq.m., representing a decrease of approximately 45.6% from approximately 366,953 sq.m. for the year ended 31 December 2017. Revenue recognised from sale of properties increased by approximately 8.5% from RMB4,669.0 million for the year ended 31 December 2017 to RMB5,067.1 million for the year ended 31 December 2018, accounting for 99.9% of the Group's total revenue. Total completed and delivered GFA amounted to 199,523 sq.m. in 2018, representing a 45.6% decrease from 2017. ASP recognised for the year ended 31 December 2018 was approximately RMB25,396 per sq.m., representing a 99.6% increase from RMB12,724 per sq.m. in 2017, primarily due to that Peaceful Paradise (君頤東方) was "Yi Series (頤系列)" residence developed for elderly customers' enjoyment of relaxing and healthy lifestyle with relatively higher sales prices.

The increase in revenue derived from sale of properties was primarily due to a new development property project of Peaceful Paradise (君頤東方) delivered which contributed revenue of RMB3,369.6 million during the year ended 31 December 2018, which was partially offset by the decrease in revenue from Blue Stream Town (藍溪郡) and Ideal Palace (一方山).

During the year ended 31 December 2018, the properties delivered by the Group mainly included Peaceful Paradise (君頤東方), Blue Stream Town (藍溪郡) and Dongyue Mansion (東岳府). The following table sets forth the details of the revenue recognised from the sale of properties of the Group by geographical location for the periods indicated.

	Year ended 31 December					
	2018			2017		
	Revenue RMB'000	GFA delivered sq.m.	Recognised ASP RMB/sq.m.	Revenue RMB'000	GFA delivered sq.m.	Recognised ASP RMB/sq.m.
Nanjing						
Peaceful Paradise (君頤東方)	3,369,626	96,543	34,903	–	–	N/A
Blue Stream Town (藍溪郡)	1,248,965	84,620	14,760	2,443,838	212,303	11,511
Dongyue Mansion (東岳府)	273,761	6,580	41,605	–	–	N/A
Ideal Palace (一方山)	35,452	2,771	12,794	1,867,629	131,789	14,171
Zhongshan Jingdian Park (鐘山晶典)	4,744	773	6,137	–	–	N/A
Long Island Xi Park (長島觀瀾汐園)	19,397	766	25,322	7,555	489	15,450
Long Island Qin Park (長島觀瀾沁園)	1,166	159	7,333	43,988	1,464	30,046
Xidi International Community (西堤國際)	506	68	7,441	1,345	248	5,423
	4,953,617	192,280	25,763	4,364,355	346,293	12,603
Wuxi						
Tianyuan Mansion (天元世家)	56,848	3,320	17,123	168,474	11,112	15,161
Canal Park (京梁合)	49,060	3,209	15,288	134,512	9,405	14,302
Mountain View Village (山語銀城)	7,550	714	10,574	1,625	143	11,364
	113,458	7,243	15,665	304,611	20,660	14,744
Total	5,067,075	199,523	25,396	4,668,966	366,953	12,724

Properties under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, capitalised borrowing costs and other costs directly attributable to such properties incurred during the development period and net realisable value. Upon completion, the properties are transferred to completed properties held for sale.

As at 31 December 2018, the Group had properties under development of RMB17,397.7 million, representing an increase of 148.9% from RMB6,990.9 million as at 31 December 2017. The increase was primarily due to the increases in our land bank and property development activities during the year ended 31 December 2018 in line with our business expansion.

Completed properties held for sale

Properties held for sale represent the completed development properties ready for sale and were unsold at the end of each reporting period.

As at 31 December 2018, the Group had completed properties held for sale of RMB2,123.8 million, representing an increase of 65.9% from RMB1,280.0 million as at 31 December 2017. The increase was primarily due to the completion of construction for Phase 1 of Honor Mansion (雲台天境), which was transferred from properties under development to completed properties held for sale in 2018. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

PROPERTY INVESTMENT

Rental income

The Group's rental income for the year ended 31 December 2018 was approximately RMB3.0 million, representing a decrease of 55.2% compared to the rental income of approximately RMB6.7 million for the year ended 31 December 2017. The decrease was primarily due to the disposal of a subsidiary in 2017, the investment property of which named Yincheng Eastern Community (銀城東苑) was used for leasing.

Investment properties

As at 31 December 2018, the Group had two investment properties with a total GFA of approximately 81,924 sq.m. Out of such investment properties portfolio of the Group, one investment property with a total GFA of approximately 4,244 sq.m. had commenced leasing.

LAND BANK

In 2018, the Group continued its expansion in Yangtze River delta region and set foot in five new cities. The Group acquired 15 parcels of new land with aggregate site area of 1,080,154 sq.m., and the estimated total GFA is expected to be 2,849,741 sq.m. The table below set forth the particulars of the newly acquired land parcels by the Group for the year ended 31 December 2018.

No.	City	Land parcel/Project name	Land use	Site area sq.m.	Estimated total GFA sq.m.	Land premium RMB million	Average land cost (Based on the estimated GFA) RMB/sq.m.
I. Property projects developed by subsidiaries of the Group							
1	Nanjing	2017G63 Ninghai Road Parcel (2017G63寧海路地塊) (A parcel of land known as 2017G63 Ninghai Road land parcel located at the eastern side of Ninghai Road and the northern side of West Hankou Road, Gulou District, Nanjing City, Jiangsu Province, the PRC)	Retail/office	8,144	48,910	420	8,587
2	Nanjing	Huijian Weilai (薈見未來) (Located at the eastern side of Huaqiao Road and the northern side of Xumutang Road, Lishui District, Nanjing City, Jiangsu Province, the PRC)	Residential/retail/ recreational and sports	272,475	658,142	1,315	1,997
3	Nanjing	Jiangshan Yu Mansion (江山御) (Located at the western side of Tangquan Road and the southern side of Ruoshui Road, Jiangning District, Nanjing City, Jiangsu Province, the PRC)	Residential	14,711	40,981	310	7,564
4	Wuxi	Hui Mountain International Community (惠山國際社區) (Located at the eastern side of Qianluo Road and the southern side of Luozhu Road, Luoshe Town, Huishan District, Wuxi City, Jiangsu Province, the PRC)	Residential/retail	114,419	353,829	716	2,023
5	Wuxi	Jiangyin 2018-C-18 parcel (澄地2018-C-18號地塊) (Located at the eastern side of Chuangxin Avenue and the northern side of Yanling Road, Jiangyin City, Jiangsu Province, the PRC)	Residential/retail	52,399	154,285	316	2,051
6	Hangzhou	Yungu Tianjing Mansion (雲谷天境) (Located at the western side of Zhuangdun Road and the northern side of Huiren Road, Xihu District, Hangzhou City, Zhejiang Province, the PRC)	Residential/retail	20,713	92,037	1,205	13,091

No.	City	Land parcel/Project name	Land use	Site area sq.m.	Estimated total GFA sq.m.	Land premium RMB million	Average land cost (Based on the estimated GFA) RMB/sq.m.
7	Xuzhou	Zhixiang Cheng (致享城) (Located at junction of Yinshan Road and Huashan Road, Tongshan District, Xuzhou City, Jiangsu Province, the PRC)	Residential/retail	54,190	151,066	238	1,576
8	Zhenjiang	Tang Dynasty Mansion (盛唐府) (Located at the southern side of Laishan Road and the western side of Luojiatou Road, Runzhou District, Zhenjiang City, Jiangsu Province, the PRC)	Residential/retail	123,458	201,763	780	3,866
9	Zhenjiang	Yuefu Mansion (樾府) (Located at the eastern side of Tanshan Road and the northern side of Tuanshan Road, Runzhou District, Zhenjiang City, Jiangsu Province, the PRC)	Residential/retail	55,810	228,110	1,145	5,019
10	Ma'anshan	Tianjing (天境) (Located at the junction of Tianbao Road and Fengqiao Road, Huashan District, Ma'anshan City, Anhui Province, the PRC)	Residential/retail	85,938	232,143	911	3,924
Sub-total				802,257	2,161,267	7,356	3,403

No.	City	Land parcel/Project name	Land use	Site area sq.m.	Estimated total GFA sq.m.	Land premium RMB million	Average land cost (Based on the estimated GFA) RMB/sq.m.
II. Property projects developed by associates and joint ventures of the Group							
11	Wuxi	YiDi (2018) Lot No. 49 宜地(2018)49號地塊 (located at the western side of Xingye Road, Huankeyuan, Xinjie Street, Yixing City, Jiangsu Province, the PRC)	Residential	17,960	40,202	110	2,724
12	Suzhou	2017-WG-66 Parcel (蘇地2017-WG-66地塊) (Located at the both sides of Boxian Road and the western side of Yuanyuan Road, Gusu District, Suzhou City, Jiangsu Province, the PRC)	Residential	10,219	20,503	277	13,503
13	Suzhou	2017-WG-68 Parcel (蘇地2017-WG-68地塊) (Located at the western side of Yuanyuan Road and the southern side of Nijiaqiao Community, Gusu District, Suzhou City, Jiangsu Province, the PRC)	Residential	10,063	17,921	234	13,040
14	Hefei	Yuexi Mansion (樾溪臺) (Located at the southern side of Huaihai Road and the eastern side of Zhangheng Road, Xinzhan District, Hefei City, Anhui Province, the PRC)	Residential	54,783	120,299	534	4,440
15	Ma'anshan	Town City (依瀾郡) (Located at the western side of Liangzhou Road, the northern side of Wuxiang Road, the eastern side of Huozhou Road and the southern side of Heshang Road, He County, Ma'anshan City, Anhui Province, the PRC)	Residential/retail/ recreational and sports	184,873	489,550	629	1,286
Sub-total				277,898	688,474	1,784	2,591
Total				1,080,154	2,849,741	9,139	3,207

The total contracted land price of the newly acquired land parcels in 2018 was approximately RMB9,139.1 million. The average cost of the land parcels acquired in 2018 was approximately RMB3,207 per sq.m..

As at 31 December 2018, the Group had 32 projects located in eight cities in the PRC, of which 23 projects were developed and owned by the Group and the remaining nine projects were developed and owned by the Group's joint ventures and associates. As at 31 December 2018, the Group had land bank with an aggregate estimated GFA of approximately 4,009,303 sq.m., out of which the land bank with interests attributable to the Group amounted to approximately 3,437,238 sq.m.. The following table sets forth the GFA breakdown of the Group's property portfolio as at 31 December 2018 in terms of geographical location:

	Number of projects	Completed GFA available for sale/ leasable GFA(1) (sq.m.)	GFA under development (sq.m.)	Planned GFA of future development (sq.m.)	Total GFA(2) (sq.m.)	% of land reserve
Property projects developed by the Company's subsidiaries						
Nanjing	13	242,290	834,582	355,497	1,432,369	35.7%
Wuxi	4	14,344	245,113	255,635	515,092	12.8%
Suzhou	1	–	37,203	–	37,203	0.9%
Hangzhou	1	–	92,037	–	92,037	2.3%
Xuzhou	1	–	151,066	–	151,066	3.8%
Zhenjiang	2	–	360,633	69,240	429,874	10.7%
Ma'anshan	1	–	232,143	–	232,143	5.8%
Sub-total	**23**	**256,634**	**1,952,778**	**680,372**	**2,889,784**	**72.1%**
Property projects developed by joint ventures and associates						
Nanjing	2	33,716	144,075	–	177,791	4.4%
Wuxi	2	–	173,923	40,202	214,125	5.3%
Suzhou	3	–	117,753	–	117,753	2.9%
Hefei	1	–	–	120,299	120,299	3.0%
Ma'anshan	1	–	358,095	131,455	489,550	12.2%
Sub-total	**9**	**33,716**	**793,847**	**291,956**	**1,119,518**	**27.9%**
Sub-total attributable to the Group	**N/A**	**16,820**	**385,057**	**145,576**	**547,453**	**N/A**
Total land reserves	**32**	**290,350**	**2,746,625**	**972,328**	**4,009,303**	**100%**
Total land reserves attributable to the Group	**N/A**	**273,455**	**2,337,835**	**825,948**	**3,437,238**	**N/A**

Notes:

(1) Includes saleable GFA remaining unsold and leasable GFA.

(2) Total land reserves equals to the sum of (i) the total GFA available for sale and total leasable GFA for completed properties; (ii) total GFA for properties under development; and (iii) total GFA for properties held for future development. For properties held by the Group's joint ventures and associates, total GFA attributable to the Group are calculated based on the Group's equity interest in the respective project.

The following table sets forth details of the Group's land bank by project and geographical regions as of 31 December 2018.

No.	Land parcel/project name	City	Attributable interest to the Group	Land use/ Planned land use	Site area sq.m.	Actual/expected completion date	Total land bank sq.m.	Completed: Total salable/ rentable GFA (sq.m.)	Completed – Total salable GFA remaining unsold: Properties with executed purchase contracts but not yet delivered to customers (sq.m.)	Completed – Total salable GFA remaining unsold: Properties without executed purchase contracts (sq.m.)	Completed – Total salable GFA remaining unsold: Total	Under development (construction commenced but not yet delivered): GFA under development (sq.m.)	Under development: GFA salable/ rentable (sq.m.)	Under development: Salable GFA pre-sold (sq.m.)	Future development: Planned GFA (sq.m.)	Future development: Planned GFA without land use rights certificates (sq.m.)
A. Projects developed by the Company's subsidiaries																
1.	Zhongshan Jingdian Park (鍾山晶典) (Located at No. 1 Shishi Road, Qixia District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Residential/retail	70,436	October 2011	12,461	16,698	–	12,461	12,461	–	–	–	–	–
2.	Long Island Qin Park (長島觀瀾沁園) (Located at No. 19 Lvshui Street, Jianye District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Residential/retail	38,271	June 2015	598	52,510	–	598	598	–	–	–	–	–
3.	Long Island Xi Park (長島觀瀾汐園) (Located at No. 18 Lvshui Street, Jianye District, Nanjing City,Jiangsu Province, the PRC)	Nanjing	100%	Residential/retail	39,035	September 2015	125	47,152	–	125	125	–	–	–	–	–
4.	Ideal Palace (一方山) (Located at No. 4199 Jiyin Avenue, Chunhua Street, Jiangning District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Residential/retail	97,118	May 2017	9,273	164,934	5,604	3,668	9,273	–	–	–	–	–
5.	Blue Stream Town (藍溪郡) (Located at No. 2 East Chuangxin Road, Jiangning District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Residential/retail	117,936	December 2017	4,301	310,256	657	3,644	4,301	–	–	–	–	–
6.	Peaceful Paradise (君頤東方) (Located at No. 3 Maqun Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Residential/retail/ hospital/elderly apartments	120,210	April 2020	142,523 *(Note 1)*	185,415	6,574	84,222	90,797	51,726	51,726	–	–	–
7.	Kinma Q + Community (Kinma Q + 社區) (Located at No. 1 Shishi Road, Qixia District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Commercial apartments/retail	19,273	August 2018	48,095	48,095	40,829	7,266	48,095	–	–	–	–	–
8.	Dongyue Mansion (東岳府) (Located at No. 71 Haifuxiang Qinhuai District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Residential/retail	16,191	June 2020	35,944	29,458	21,784	1,432	23,215	12,728	12,143	11,901	–	–
9.	Honor Mansion (雲台天境) (Located at the junction of Suyuan Avenue and Yuntaishanhe Road, Jiangning District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Residential/retail	89,369	October 2019	302,300	53,427	51,287	2,140	53,427	248,873	195,442	–	–	–
10.	Bejoy Villa (鉑悅源墅) (Located at the eastern side of Qiyin Road and the southern side of East Xuelin Road, Jiangning District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Residential/retail	73,216	December 2019	128,717	–	–	–	–	128,717	103,676	–	–	–
11.	Jiangshan Yu Mansion (江山御) (Located at the western side of Tangquan Road and the southern side of Ruoshui Road, Jiangning District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Residential	14,711	June 2020	40,981	–	–	–	–	40,981	30,850	2,336	–	–

No.	Land parcel/project name	City	Attributable interest to the Group	Land use/ Planned land use	Site area sq.m.	Actual/expected completion date	Total land bank sq.m.	Completed: Total salable/ rentable GFA (sq.m.)	Completed: Total salable GFA remaining unsold: Properties with executed purchase contracts but not yet delivered to customers (sq.m.)	Completed: Total salable GFA remaining unsold: Properties without executed purchase contracts (sq.m.)	Completed: Total salable GFA remaining unsold: Total	Under development (construction commenced but not yet delivered): GFA under development (sq.m.)	Under development (construction commenced but not yet delivered): GFA salable/ rentable (sq.m.)	Under development (construction commenced but not yet delivered): Salable GFA pre-sold (sq.m.)	Future development: Planned GFA (sq.m.)	Future development: Planned GFA without land use rights certificates (sq.m.)
12.	2017G63 Ninghai Road parcel (2017G63寧海路地塊) (A parcel of land known as 2017G63 Ninghai Road land parcel located at the eastern side of Ninghai Road and the northern side of West Hankou Road, Gulou District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Retail/office	8,144	February 2021	48,910	–	–	–	–	–	–	–	48,910	–
13.	Huijian Weilai (薈見未來) (Located at the eastern side of Huaqiao Road and the northern side of Xumutang Road, Lishui District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	100%	Residential/retail/ recreational and sports	272,475	August 2021	658,142	–	–	–	–	351,555	277,531	67,074	306,587	–
Sub-total for Nanjing			**100%**		**976,384**		**1,432,369**	**907,946**	**126,735**	**115,555**	**242,290**	**834,582**	**671,368**	**81,311**	**355,497**	**–**

Note: 1. As at 31 December 2018, a total GFA of 77,679.87 sq.m. in the land bank developed and/or to be developed in Peaceful Paradise (君頤東方) was held by the Group as investment properties.

No.	Land parcel/project name	City	Attributable interest to the Group	Land use/ Planned land use	Site area sq.m.	Actual/expected completion date	Total land bank sq.m.	Completed: Total salable/ rentable GFA (sq.m.)	Properties with executed purchase contracts but not yet delivered to customers (sq.m.)	Properties without executed purchase contracts (sq.m.)	Total	GFA under development (sq.m.)	GFA salable/ rentable (sq.m.)	Salable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Planned GFA without land use rights certificates (sq.m.)
14.	Tianyuan Mansion (天元世家) (Located at the western side of Hongxing Road and the eastern side of Liangxi Lake, Liangxi District, Wuxi City, Jiangsu Province, the PRC)	Wuxi	100%	Residential/retail	73,696	November 2020	26,963	–	–	–	–	–	–	–	26,963	–
15.	Canal Park (京梁合) (Located at the junction of East Yunhe Road and West Xueqian Street, Liangxi District, Wuxi City, Jiangsu Province, the PRC)	Wuxi	100%	Residential	64,844	September 2021	74,387	–	–	–	–	–	–	–	74,387	–
16.	Hui Mountain International Community (惠山國際社區) (Located at the eastern side of Qianluo Road and the southern side of Luozhu Road, Luoshe Town, Huishan District, Wuxi City, Jiangsu Province, the PRC)	Wuxi	100%	Residential/retail	114,419	August 2020	259,457	82,558	14,344	–	14,344	245,113	194,209	86,239	–	–
17.	Jiangyin 2018-C-18 parcel (澄地2018-C-18號地塊) (Located at the eastern side of Chuangxin Avenue and the northern side of Yanling Road, Jiangyin City, Jiangsu Province, the PRC)	Wuxi	100%	Residential/retail	52,399	November 2020	154,285	–	–	–	–	–	–	–	154,285	–
Sub-total for Wuxi			**100%**		**305,359**		**515,092**	**82,558**	**14,344**	**–**	**14,344**	**245,113**	**194,209**	**86,239**	**255,635**	**–**
18.	Yuan Stream Mansion (原溪) (Located at the southern side of Beihuan Road and the eastern side of Jiuyuan Community, Gusu District, Suzhou City, Jiangsu Province, the PRC)	Suzhou	100%	Residential	19,533	April 2019	37,203	–	–	–	–	37,203	28,435	–	–	–
Sub-total for Suzhou			**100%**		**19,533**		**37,203**	**–**	**–**	**–**	**–**	**37,203**	**28,435**	**–**	**–**	**–**

									Completed Total salable GFA remaining unsold			Under development (construction commenced but not yet delivered)			Future development	
No.	Land parcel/project name	City	Attributable interest to the Group	Land use/ Planned land use	Site area sq.m.	Actual/expected completion date	Total land bank sq.m.	Total salable/ rentable GFA (sq.m.)	Properties with executed purchase contracts but not yet delivered to customers (sq.m.)	Properties without executed purchase contracts (sq.m.)	Total	GFA under development (sq.m.)	GFA salable/ rentable (sq.m.)	Salable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Planned GFA without land use rights certificates (sq.m.)
19.	Yungu Tianjing Mansion (雲谷天境) (Located at the western side of Zhuangdun Road and the northern side of Huiren Road, Xihu District, Hangzhou City, Zhejiang Province, the PRC)	Hangzhou	100%	Residential/retail	20,713	February 2021	92,037	–	–	–	–	92,037	66,507	–	–	–
Sub-total for Hangzhou			**100%**		**20,713**		**92,037**	**–**	**–**	**–**	**–**	**92,037**	**66,507**	**–**	**–**	**–**
20.	Zhixiang Cheng (致享城) (Located at junction of Yinshan Road and Huashan Road, Tongshan District, Xuzhou City, Jiangsu Province, the PRC)	Xuzhou	100%	Residential/retail	54,190	May 2020	92,037	–	–	–	–	151,066	115,127	–	–	–
Sub-total for Xuzhou			**100%**		**54,190**		**151,066**	**–**	**–**	**–**	**–**	**151,066**	**115,127**	**–**	**–**	**–**
21.	Tang Dynasty Mansion (盛唐府) (Located at the southern side of Laishan Road and the western side of Luojiatou Road, Runzhou District, Zhenjiang City, Jiangsu Province, the PRC)	Zhenjiang	100%	Residential/retail	123,458	August 2020	201,763	–	–	–	–	201,763	142,457	45,100	–	–
22.	Yuefu Mansion (樾府) (Located at the eastern side of Tanshan Road and the northern side of Tuanshan Road, Runzhou District, Zhenjiang City, Jiangsu Province, the PRC)	Zhenjiang	100%	Residential/retail	55,810	September 2021	228,110	–	–	–	–	158,870	141,629	6,799	69,240	–
Sub-total for Zhenjiang			**100%**		**179,268**		**429,874**	**–**	**–**	**–**	**–**	**360,633**	**284,086**	**51,899**	**69,240**	**–**
23.	Tianjing (天境) (Located at the junction of Tianbao Road and Fengqiao Road, Huashan District, Ma'anshan City, Anhui Province, the PRC)	Ma'anshan	100%	Residential/retail	85,938	June 2020	232,143	–	–	–	–	232,143	193,305	9,129	–	–
Sub-total for Ma'anshan			**100%**		**85,938**		**232,143**	**–**	**–**	**–**	**–**	**232,143**	**193,305**	**9,129**	**–**	**–**
Sub-total of land bank developed by subsidiaries of the Company			**100%**		**1,641,385**		**2,889,784**	**990,504**	**141,079**	**115,555**	**256,634**	**1,952,778**	**1,553,038**	**228,578**	**680,372**	**–**

								Completed				Under development (construction commenced but not yet delivered)			Future development	
								Total salable GFA remaining unsold								
No.	Land parcel/project name	City	Attributable interest to the Group	Planned land use	Site area sq.m.	Actual/expected completion date	Total land bank sq.m.	Total salable/ rentable GFA (sq.m.)	Properties with executed purchase contracts but not yet delivered to customers (sq.m.)	Properties without executed purchase contracts (sq.m.)	Total	GFA under development (sq.m.)	GFA salable/ rentable (sq.m.)	Salable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Planned GFA without land use rights certificates (sq.m.)
B. Projects developed by the Group's joint ventures and associates																
1.	Dream Garden (白馬瀾山) (Located at the junction of Baima Road and Shishan Road, Pukou District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	49.00%	Residential/retail	77,195	March 2018	4,899	122,110	2,166	1,609	3,775	1,124	N/A	–	–	–
2.	Dream Mansion (悦見山) (Located at the eastern side of Baima Road and the western side of Haidu Road, Jiangpu Street, Pukou District, Nanjing City, Jiangsu Province, the PRC)	Nanjing	50.00%	Residential/retail	58,455	December 2019	172,893	29,941	26,124	3,816	29,941	142,952	108,928	–	–	–
Sub-total for Nanjing					**135,650**		**177,791**	**152,051**	**28,291**	**5,425**	**33,716**	**144,075**	**108,928**	**–**	**–**	**–**
Attributable to the Group					*67,053*		*88,847*	*74,804*	*14,124*	*2,696*	*16,820*	*72,026*	*54,464*	–	–	–
3.	Sheltered Mansion (東樾府) (Located at the junction of Gaolang Road and Nanhu Avenue, Binhu District, Wuxi City, Jiangsu Province the PRC)	Wuxi	65.00%	Residential/retail/ commercial apartments	52,132	March 2020	173,923	–	–	–	–	173,923	131,519	92,777	–	–
4.	YiDi (2018) Lot No.49, (宜地(2018)49號地塊) (located at the western side of Xingye Road, Huankeyuan, Xinjie Street, Yixing City, Jiangsu Province, the PRC	Wuxi	49.00%	Residential	17,960	August 2020	40,202	–	–	–	–	–	–	–	40,202	40,202
Sub-total for Wuxi					**70,091**		**214,125**	**–**	**–**	**–**	**–**	**173,923**	**131,519**	**92,777**	**40,202**	**40,202**
Attributable to the Group					*42,686*		*132,749*	–	–	–	–	*113,050*	*85,487*	*60,305*	*19,699*	*19,699*

								Completed Total salable GFA remaining unsold				Under development (construction commenced but not yet delivered)			Future development	
No.	Land parcel/project name	City	Attributable interest to the Group	Planned land use	Site area sq.m.	Actual/expected completion date	Total land bank sq.m.	Total salable/ rentable GFA (sq.m.)	Properties with executed purchase contracts but not yet delivered to customers (sq.m.)	Properties without executed purchase contracts (sq.m.)	Total	GFA under development (sq.m.)	GFA salable/ rentable (sq.m.)	Salable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Planned GFA without land use rights certificates (sq.m.)
5.	Suhe Bay (蘇河灣) (Located at the southern side of Jiangku Road and the eastern side of Suzhou River Road, Wujiang District, Suzhou City, Jiangsu Province, Province, the PRC)	Suzhou	16.70%	Residential	16,627	April 2020	79,329	–	–	–	–	79,329	73,040	29,263	–	–
6.	Suzhou 2017-WG-66 Parcel (蘇地2017-WG-66地塊) (Located at the both sides of Boxian Road and the western side of Yuanyuan Road, Gusu District, Suzhou City, Jiangsu Province, the PRC)	Suzhou	20.01%	Residential	10,219	February 2020	20,503	–	–	–	–	20,503	15,621	–	–	–
7.	Suzhou 2017-WG-68 Parcel (蘇地2017-WG-68地塊) (Located at the western side of Yuanyuan Road and the southern side of Nijiaqiao Community, Gusu District, Suzhou City, Jiangsu Province, the PRC)	Suzhou	19.99%	Residential	10,063	February 2020	17,921	–	–	–	–	17,921	12,983	4,225	–	–
Sub-total for Suzhou					**36,909**		**117,753**	**–**	**–**	**–**	**–**	**117,753**	**101,644**	**33,488**	**–**	**–**
Attributable to the Group					*6,833*		*20,933*	–	–	–	–	*20,933*	*17,919*	*5,731*	–	–
8.	Yuexi Mansion (樾溪臺) (Located at the southern side of Huaihai Road and the eastern side of Zhangheng Road, Xinzhan District, Hefei City, Anhui Province, the PRC)	Hefei	50.00%	Residential/retail	54,783	March 2020	120,299	–	–	–	–	–	–	–	120,299	120,299
Sub-total for Hefei					**54,783**		**120,299**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**120,299**	**120,299**
Attributable to the Group					*27,391*		*60,150*	–	–	–	–	–	–	–	*60,150*	*60,150*

								Completed				Under development (construction commenced but not yet delivered)			Future development	
									Total salable GFA remaining unsold							
No.	Land parcel/project name	City	Attributable interest to the Group	Planned land use	Site area sq.m.	Actual/expected completion date	Total land bank sq.m.	Total salable/ rentable GFA (sq.m.)	Properties with executed purchase contracts but not yet delivered to customers (sq.m.)	Properties without executed purchase contracts (sq.m.)	Total	GFA under development (sq.m.)	GFA salable/ rentable (sq.m.)	Salable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Planned GFA without land use rights certificates (sq.m.)
9.	Town City (依瀾郡) (Located at the western side of Liangzhou Road, the northern side of Wuxiang Road, the eastern side of Huozhou Road and the southern side of Heshang Road, He County, Ma'anshan City, Anhui Province, the PRC)	Ma'anshan	50.00%	Residential/retail/ recreational and sports	184,873	February 2020	489,550 *(Note 2)*	–	–	–	–	358,095	276,393	23,561	131,455	–
Sub-total for Ma'anshan					**184,873**		**489,550**	**–**	**–**	**–**	**–**	**358,095**	**276,393**	**23,561**	**131,455**	**–**
Attributable to the Group					**92,436**		*244,775*	–	–	–	–	*179,047*	*138,197*	*11,781*	*65,727*	–
Sub-total of land bank developed by the Group's joint ventures and associates					**482,306**		**1,119,518**	**152,051**	**28,291**	**5,425**	**33,716**	**793,847**	**618,484**	**149,826**	**291,956**	**160,501**
Sub-total of land bank developed by the Group's joint ventures and associates (attributable to the Group)					**236,400**		**547,453**	**74,804**	**14,124**	**2,696**	**16,820**	**385,057**	**296,067**	**77,817**	**145,576**	**79,849**
Total land bank					**2,123,691**		**4,009,303**	**1,142,555**	**169,370**	**120,981**	**290,350**	**2,746,625**	**2,171,521**	**378,404**	**972,328**	**160,501**
Total land bank (attributable to the Group)					**1,877,785**		**3,437,238**	**1,065,308**	**155,203**	**118,252**	**273,455**	**2,337,835**	**1,849,104**	**306,395**	**825,948**	**79,849**

Note: 2. As at 31 December 2018, a total GFA of 54,714.85 sq.m. in the lank bank developed and/or to be developed in Town City (依瀾郡) was held by the relevant associate as investment properties.

FINANCIAL REVIEW

Revenue

Our revenue increased by RMB394.5 million or 8.4% from RMB4,675.6 million for the year ended 31 December 2017 to RMB5,070.1 million for the year ended 31 December 2018 as a result of increase in revenue from sale of properties. Revenue derived from sale of properties increased by RMB398.1 million or 8.5% from RMB4,669.0 million for the year ended 31 December 2017 to RMB5,067.1 million for the year ended 31 December 2018. The increase in revenue derived from sale of properties was primarily due to a new development property project of Peaceful Paradise (君頤東方) delivered which contributed revenue of RMB3,369.6 million during the year ended 31 December 2018, which was partially offset by the decrease in revenue from Blue Stream Town (藍溪郡) and Ideal Palace (一方山).

The table below sets forth the Group's revenue for each of the components described above and the percentage of total revenue represented for the periods indicated.

	2018		2017		
	Revenue RMB'000	% of Total Revenue %	Revenue RMB'000	% of Total Revenue %	Year-over-Year Change %
Sale of properties	5,067,075	99.9	4,668,966	99.9	8.4
Rental income	3,019	0.1	6,678	0.1	(54.8)
Total	5,070,094	100.0	4,675,644	100.0	8.4

Cost of Sales

The Group's cost of sales mainly comprised cost of property sales which was directly associated with the revenue from the sale of properties, which represented direct construction costs, land acquisition costs and capitalised borrowing costs on related borrowings for the purpose of property development during the period of construction.

The Group's cost of sales decreased by RMB292.1 million or 7.5% from RMB3,892.1 million for the year ended 31 December 2017 to RMB3,600.0 million for the year ended 31 December 2018, which was mainly due to the decrease in delivered GFA, which was offset by the increase in land acquisition costs for the year ended 31 December 2018 as our new project of Peaceful Paradise was located in mature residential area of Nanjing.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by RMB686.5 million or 87.6% from RMB783.5 million for the year ended 31 December 2017 to RMB1,470.0 million for the year ended 31 December 2018. The Group's gross profit margin increased from 16.8% for the year ended 31 December 2017 to 29.0% for the year ended 31 December 2018, which was primarily due to (i) the increase in revenue contribution from new project of Peaceful Paradise (君頤東方) which was "Yi series (頤系列)" residence developed for elderly customers' enjoyment of relaxing and healthy lifestyle which entailed relatively higher gross profit margin; and (ii) the decrease in revenue from the project of Blue Stream Town (藍溪郡) and Ideal Palace (一方山) which entailed relatively lower gross profit margin for the year ended 31 December 2018.

Other Income and Gains

The Group's other income and gains primarily consist of interest income from bank deposit and available-for-sale investments, forfeiture of deposits, government grants, project management income and investment income of business combination achieved in stages and others.

The Group's other income and gains increased by RMB288.6 million or 813.0% from RMB35.5 million for the year ended 31 December 2017 to RMB324.1 million for the year ended 31 December 2018, which was mainly due to the investment income of business combination achieved in stages of RMB292.7 million for the year ended 31 December 2018 related to the fair value change in the interests we held before the acquisition of equity interests of certain of the then joint venture and associates which became our subsidiaries subsequently, as a strategy to expand our property investment business. Such investment income mainly came from the acquisition of additional equity interest in the then associates, Nanjing Mahui Real Estate Co., Ltd. and Nanjing Yicheng Real Estate Co., Ltd., which became the Company's subsidiaries subsequently and developed Kinma Q+_Community (Kinma Q + 社區) and Dongyue Mansion (東岳府), respectively.

Selling and Distribution Expenses

The Group's selling and distribution expenses mainly represented staff cost, advertising and business development expenses, office expenses, and others.

The Group's selling and distribution expenses increased by RMB181.7 million or 326.8% from RMB55.6 million for the year ended 31 December 2017 to RMB237.3 million for the year ended 31 December 2018, which was mainly due to different phase of several of our property projects, namely Dongyue Mansion (東岳府), Honor Mansion (雲台天境), Hui Mountain International Community (惠山國際社區), Yuefu Mansion (樾府) and Huijian Weilai (薈見未來) commenced pre-sales or sales in the second half of 2018.

Administrative Expenses

Administrative expenses primarily comprised staff costs, travel and entertainment expenses, professional fees, office expenses, other taxes and surcharges, depreciation and amortization and others.

The Group's administrative expenses increased by RMB269.3 million or 433.0% from RMB62.2 million for the year ended 31 December 2017 to RMB331.5 million for the year ended 31 December 2018, which was mainly due to (i) the continuous increase in the number of property projects under development and planned for future development, which was in line with the Group's business expansion, resulting in increases in its management and administrative headcount, travel and entertainment expenses and other miscellaneous expenses; and (ii) the one-off listing expenses and share-based payments incurred.

Other Expenses

The Group's other expenses mainly comprised one-off expenses including financial guarantee contract expenses, compensation to customers, charitable donation expenses and others. The Group's other expenses decreased by RMB17.2 million or 52.0% from RMB33.1 million for the year ended 31 December 2017 to RMB15.9 million for the year ended 31 December 2018. The charitable donation made by the Group for the year ended 31 December 2018 amounted to approximately RMB1.77 million (2017: RMB2.46 million).

Fair Value Gains on Investment Properties

The Group's fair value gains on investment properties decreased by RMB6.2 million or 29.5% from RMB21.0 million for the year ended 31 December 2017 to RMB14.8 million for the year ended 31 December 2018, which was mainly generated from the gradual completion on pension properties of Peaceful Paradise (君頤東方) in 2018.

Finance Costs

Finance costs primarily consist of interest expenses for bank and other borrowings and pre-sales deposits net of capitalised borrowing costs relating to properties under development.

The Group's finance costs increased from RMB177.0 million for the year ended 31 December 2017 to RMB254.0 million for the year ended 31 December 2018, which was primarily due to an increase in bank borrowings to support business growth.

Share of gains on joint ventures and associates

The Group's share of gains on joint ventures decreased by RMB31.4 million or 268.3% from a gain of RMB11.7 million for the year ended 31 December 2017 to a loss of RMB19.7 million for the year ended 31 December 2018, which was mainly due to (i) Dream Mansion (悦見山) held by one of the Group's joint ventures commenced sales in the second half of 2018, which resulted in an increase in the relevant expenses; and (ii) the increase in number of projects held by the Group's new joint ventures which were at early stages of property development and thus incurred losses during the year ended 31 December 2018.

The Group's share of gains on associates increased by RMB40.4 million or 56.8% from a gain of RMB71.0 million for the year ended 31 December 2017 to a gain of RMB111.4 million for the year ended 31 December 2018, which was mainly attributable to an associate of which the developed project delivered for the year ended 31 December 2018 with a relatively higher gross profit margin.

Income tax expenses

Income tax expenses represent PRC corporate income tax and land appreciation tax ("LAT") payable by the Group's subsidiaries in the PRC.

The Group's income tax expenses on investment properties increased by RMB362.1 million or 177.2% from RMB204.4 million for the year ended 31 December 2017 to RMB566.5 million for the year ended 31 December 2018 which was mainly due to the increase in profit before tax. The Group's effective tax rate increased from 34.3% for the year ended 31 December 2017 to 53.4% for the year ended 31 December 2018. The increase was mainly attributable to (i) the increase in LAT in line with the property sales with relatively higher gross profit margin for the year ended 31 December 2018; (ii) the increase in tax losses not recognised mainly as a result of the one-off listing expenses and share-based payments and the increase in number of projects which were at early stages of property development and thus incurred losses during the year ended 31 December 2018.

Profit and total comprehensive income for the year

The Group's profit for the year increased by RMB104.7 million or 26.8% from RMB390.6 million for the year ended 31 December 2017 to RMB495.3 million for the year ended 31 December 2018. Our net profit margin increased from 8.4% for the year ended 31 December 2017 to 9.8% for the year ended 31 December 2018, which was mainly due to (i) the increase in gross profit margin for the year ended 31 December 2018; (ii) the one-off investment income of business combination achieved in stages of RMB292.7 million for the year ended 31 December 2018; and (iii) the increase in share of gains of associates for the year ended 31 December 2018; which was partially offset by the increase in selling and distribution expense, administrative expenses including the one-off listing expenses and share-based payments incurred, and finance costs for the year ended 31 December 2018.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Property development is capital-intensive and the Group expects to continue to incur a high level of capital expenditures for project development in the foreseeable future. The Group funds its business operations both through cash flows generated from its business operations and through external financing, primarily including bank and other borrowings.

The Group's primary uses of cash are for the payment of acquisition of land use rights, construction costs, staff costs, various operating expenses. The Group's sources of funding comprise mainly cash flows generated from the Group's business operations and through external financing, primarily including bank and other borrowings.

Cash Positions

As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB1,589.2 million (31 December 2017: RMB1,171.3 million), pledged deposits of approximately RMB7.4 million (31 December 2017: Nil) and restricted cash of approximately RMB122.8 million (31 December 2017: RMB138.6 million).

Trade Receivables

As at 31 December 2018, the Group has trade receivables of RMB2,000, compared with RMB1,992,000 as at 31 December 2017. The trade receivables are unsecured and non-interest-bearing. Same as 31 December 2017, the trade receivables as at 31 December 2018 were neither past due nor impaired and less than 1 year based on the invoice date.

Indebtedness

As at 31 December 2018, the Group had total bank and other borrowings of RMB10,191.4 million, compared with RMB5,660.1 million as at 31 December 2017. The Group's borrowings are mainly denominated in Renminbi.

The following table sets forth the Group's total debts as at the dates indicated.

	As at 31 December	
	2018 (RMB'000)	2017 (RMB'000)
Current:		
Other loans — secured	**906,000**	–
Current portion of long term bank loans — secured	**3,009,980**	845,302
Current portion of long term other loans — secured	**1,384,083**	497,061
Total current borrowings	**5,300,063**	1,342,363
Non-current:		
Bank loans — secured	**4,791,341**	2,845,599
Other loans — secured	**–**	1,472,135
Other loans — unsecured	**100,000**	–
Total	**10,191,404**	5,660,097

The following table sets forth the repayment schedule of the Group's borrowings as at the dates indicated.

	As at 31 December	
	2018 (RMB'000)	2017 (RMB'000)
Repayable within one year	**5,300,063**	1,342,363
Repayable in the second year	**2,573,458**	3,385,304
Repayable within two to five years	**2,317,883**	932,430
Sub-total	**4,891,341**	4,317,734
Total	**10,191,404**	5,660,097

The following table sets out the range of interest rates for the Group's borrowings as at the dates indicated.

	As at 31 December	
	2018 Effective interest rate (%)	2017 Effective interest rate (%)
Current:		
Other loans — secured	**11.37–14.30**	–
Current portion of long term bank loans — secured	**5.23–6.27**	5.32–5.49
Current portion of long term other loans — secured	**8.50–10.00**	8.59–8.83
Non-current:		
Bank loans — secured	**4.83–6.65**	4.84–6.01
Other loans — secured	**–**	8.59–10.00
Other loans — unsecured	**7.50**	–

The Group's certain secured borrowings were secured by the pledges of the asset portfolio which includes investment properties, prepaid land lease payments, properties under development and completed properties held for sale. Details of the pledged assets are set out in notes 15, 16, 21 and 22 to the consolidated financial statements.

Financial Risks

The Group is exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Our Group has no concentrations of credit risk in view of its large number of customers. Our Group did not record any significant bad debt losses during the year ended 31 December 2018. The credit risk of our Group's other financial assets, which mainly comprise restricted cash and pledged deposits, financial assets included in prepayment, deposits and other receivables, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

Key Financial Ratios

The Group's current ratio remained relatively stable at 1.5 and 1.3 as at 31 December 2017 and 31 December 2018 respectively. The Group's net gearing ratio increased from 219.0% as at 31 December 2017 to 351.5% as at 31 December 2018, primarily due to the increase in our land bank and property development activities for relevant projects which had not started the pre-sale. The Group completed its initial public offering ("**IPO**") on 6 March 2019. Assuming the net proceeds from the IPO were received on 31 December 2018, the net gearing ratio would be approximately 248.8% as at 31 December 2018.

Contingent Liabilities

Mortgage Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a customer defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If it fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds.

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the customers of our completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the customers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks. Under the above arrangement, the related properties were pledged to the banks as collaterals for the mortgage loans, upon default on mortgage repayments by these customers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the customers take possession of the relevant properties.

As at 31 December 2018, the material contingent liabilities incurred for the Group's provision of guarantees to financial institutions in respect of the mortgage loans they provided to the Group's customers were approximately RMB2,887.1 million, compared with RMB1,404.0 million as at 31 December 2017.

The Group did not incur any material losses during the year ended 31 December 2018 in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The Board considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

The Directors confirm that the Group has not encountered defaults by customers in which it provided mortgage guarantees that, in aggregate, had a material adverse effect on the Group's financial condition and results of operations.

The Group provided guarantees to banks and other institutions in connection with financial facilities granted to the related companies. The total guarantee amount of RMB871,651,000 as at 31 December 2018 (31 December 2017: RMB885,000,000) were secured by the pledges, the Board considered no financial guarantee provision was needed in respect of the guarantees.

Legal Contingents

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group believes that no liabilities resulting from these proceedings will have a material and adverse effect on our business, financial condition or operating results.

Commitments

As at 31 December 2018, the Group's capital expenditures it had contracted but yet provided for was RMB5,952.1 million, compared with RMB2,802.5 million as at 31 December 2017.

As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases falling due was RMB11.1 million, compared with RMB13.7 million as at 31 December 2017.

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities disclosed above, as at 31 December 2018, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

As at the date of this report, net proceeds not utilised are held in bank deposits and it is intended that they will be applied in the manner consistent with the proposed allocations stated in the prospectus.

Segment Information

An analysis on the Group's operating segment information is set out in Note 4 to the consolidated financial statements contained in this annual report.

Significant Investments Held

Save as disclosed elsewhere in this annual report, the Group did not hold any significant investments during the year ended 31 December 2018.

Employees

As at 31 December 2018, the Group had a total of 836 employees. The Group offers employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. It contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

Use of Proceeds from the Initial Public Offering

The Company completed its IPO or ("Global Offering") and its shares ("Shares") were successfully listed on the Main Board of the Stock Exchange on 6 March 2019. On 3 April 2019, as a result of the Over-allotment Option (as defined in the Prospectus) being partially exercised, 29,914,000 new Shares were allotted and issued at the offer price of HK$2.38 per Share. The total net proceeds raised from the Global Offering (after issuance of the Shares pursuant to the exercise of the Over-allotment Option) after deducting all the underwriting commissions, transaction levy and trading fee (as applicable) and all other listing expenses in connection with the Global Offering) was approximately HK$855.8 million.

As at the date of this report, the Group had not yet utilised the net proceeds and it is expected that the Group will utilise them in the manner consistent with the proposed allocations stated in the Prospectus.

Future Plans for Material Investments

The Group will continue to focus on its existing property development business and acquiring high-quality land parcels in the Yangtze River Delta Megalopolis in China. Save as disclosed in the Prospectus, no concrete plan for future investments is in place as at the date of this annual report.

Material Acquisition and Disposal

Save as disclosed in the Prospectus, during the year ended 31 December 2018 and up to the date of this report, the Group did not perform any material acquisition or disposal of subsidiaries and associates.

Subsequent Events

Other than the completion of the IPO by the Company on 6 March 2019 and the allotment and issuance of new Shares pursuant to the partial exercise of the Over-allotment Option as mentioned above which was completed on 3 April 2019, no material events were undertaken by the Group subsequent to 31 December 2018 up to the date of this report.

Non-executive Directors

Mr. HUANG Qingping (黃清平), aged 55, is our Chairman and our non-executive Director. Mr. Huang is primarily responsible for the formulation and provision of guidance and development strategies for the overall development of our Group. Mr. Huang joined us in September 1992. He was appointed as a Director on 8 January 2018 and re-designated as our non-executive Director on 19 August 2018. Mr. Huang has over 25 years' of experience in real estate industry in the PRC. Before joining our Group, Mr. Huang was the section chief at Gulou District Urban Construction Bureau* (南京市鼓樓區城建局,currently known as 南京市鼓樓區建設房產和交通局), from October 1983 to September 1992, responsible for urban planning.

Mr. Huang obtained his diploma in industrial and civil engineering from Nanjing Jinling Vocational University* (南京金陵職業大學) in the PRC in August 1983.

Mr. XIE Chenguang (謝晨光), aged 56, joined our Group in December 1998. He was appointed as our non-executive Director on 19 August 2018. Mr. Xie is primarily responsible for the provision of guidance for the overall development of our Group. Mr. Xie has more than 34 years of experience in the engineering and real estate industry in the PRC. Prior to joining our Group, Mr. Xie worked several positions, including vice general engineer and chief of the technical department at Nanjing Sanjian (Group) Company* (南京三建（集團）公司, now known as 南京建工集團有限公司) from October 1983 until November 1998, responsible for construction project management. He was chief of the technical department when he left to join our Group.

He obtained a diploma in industrial and civil engineering from Nanjing Jinling Vocational University (南京金陵職業大學) in the PRC in August 1983. He received a bachelor's degree in construction project management from Southeast University (東南大學) in the PRC in July 1998, and his Executive Master of Business Administration (EMBA) degree from China Europe International Business School (中歐國際工商學院) in the PRC in September 2007. Mr. Xie obtained professional qualification as a senior engineer in May 2012.

Executive Directors

Mr. MA Baohua (馬保華), aged 57, is our executive Director and our President. Mr. Ma joined our Group in February 2004 and was appointed as our executive Director on 19 August 2018. Mr. Ma is responsible for the overall strategic decision, business planning, and daily management and operation of our Group. Mr. Ma has over 34 years of experience in the real estate or real estate-related industry in the PRC. Prior to joining our Group, he worked from March 1986 until he joined us in February 2004 at Nanjing Urban Planning Bureau* (南京市規劃局), and was deputy director of the General Management Department when he left to join our Group, responsible for plan implementation management work. Prior to that, Mr. Ma worked at the Gulou District Urban Construction Bureau* (南京市鼓樓區城建局, currently known as 南京市鼓樓區建設房產和交通局) from October 1983 to March 1986, responsible for urban planning.

Mr. Ma received his diploma in industrial and civil engineering from Jinling Vocational University (金陵職業大學) in the PRC in August 1983. He then obtained his bachelor's degree in urban and rural planning and land management from Nanjing University in the PRC in July 2001, and his Executive Master of Business Administration (EMBA) degree from China Europe International Business School (中歐國際工商學院) in the PRC in September 2007. He has obtained professional qualification as a registered urban planner since May 2001. In 2017, Mr. Ma was recognised as one of the top 100 property managers co-awarded by Sina Finance, Leju, China Real Estate Association, Shanghai Securities News and China Entrepreneur Magazine.

Mr. ZHU Li (朱力), aged 45, is an executive Director and our vice President. Mr. Zhu joined our Group in July 1995 and was appointed as our executive Director on 19 August 2018. He is primarily responsible for business operations, customer service and procurement of our Group. Mr. Zhu has over 22 years of experience in the real estate industry in the PRC.

Mr. Zhu obtained a bachelor's degree in construction engineering from Southeast University (東南大學) in the PRC in July 1999. Mr. Zhu received his Executive Master of Business Administration (EMBA) degree from China Europe International Business School (中歐國際工商學院) in the PRC in September 2010.

Mr. WANG Zheng (王政), aged 39, is an executive Director and our vice President. Mr. Wang joined our Group in February 2003 and was appointed as our executive Director on 19 August 2018. He is primarily responsible for overseeing the investment and marketing departments of our Group. Mr. Wang has over 14 years of experience in the real estate industry in the PRC.

Mr. Wang received a diploma in international business administration from Nanjing Normal University (南京師範大學) in the PRC in July 2001. He obtained his Master's degree in administrative management from Nanjing Tech University (南京工業大學) in June 2014, and obtained his Real Estate Brokerage Practice Certificate on 24 June 2009.

Ms. SHAO Lei (邵磊), aged 37, is an executive Director and our vice President. Ms. Shao joined our Group in July 2004 and was appointed as our executive Director on 19 August 2018. She is primarily responsible for legal, funds and securities affairs of our Group. Ms. Shao has over 13 years' of experience in the real estate industry in the PRC.

Ms. Shao received a bachelor's degree in accountancy from Nanjing University of Finance and Economics (南京財經大學) in the PRC in June 2004. She obtained professional qualifications as an accountant in May 2005, and a certified public accountant in February 2008.

Independent Non-executive Directors

Dr. CHEN Shimin (陳世敏), aged 60, was appointed as our independent non-executive Director on 18 February 2019. He is primarily responsible for supervising and providing independent judgment to our Board. He has almost 30 years of experience in accounting. Dr. Chen is currently a professor in accounting at China Europe International Business School (中歐國際工商學院) in the PRC and has been in this position since August 2008.

Prior to his current position, Dr. Chen worked as assistant professor at the Hong Kong Polytechnic University in Hong Kong from August 2005 to August 2008. Dr. Chen also worked as assistant professor at Lingnan University in Hong Kong from September 1998 to August 2005.

He also served as an independent director of Zhejiang Wolwo Bio-Pharmaceutical Co., Ltd.* (浙江我武生物科技股份有限公司), a company listed on the Shenzhen stock Exchange (stock code: 300357) which is a biopharmaceutical company engaged in the research of allergic diseases, and the development, production and sales of treatment products, from January 2011 to January 2017. Dr. Chen also served as an independent director of Hangzhou Shunwang Technology Co., Ltd.* (杭州順網科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300113) which is principally a service provider for an internet cafe platform, from November 2009 to March 2016, an independent non-executive director of China High Speed Transmission Equipment Group Co., Ltd. (中國高速傳動設備集團有限公司), a company listed on the Stock Exchange (stock code: 658) which is principally engaged in the manufacturing of high-speed gear transmission equipment in China, from June 2007 to December 2016, and an independent non-executive director of Hailan Holdings Limited* (海藍控股有限公司), a company listed on the Stock Exchange (stock code: 2278) which is principally engaged in the development and sales of properties in the PRC, from June 2016 to December 2018.

Dr. Chen currently serves as an independent non-executive director or independent director in several listed companies, including those set out below:

Name of Entity	Principal business	Place of listing and stock code	Position and period of time
Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司)	a company engaged in property development and operation	listed on the Shanghai Stock Exchange (stock code: 600325)	independent director since July 2013
Shanghai Oriental Pearl Media Co., Ltd. (上海東方明珠新媒體股份有限公司)	a company principally engaged in the provision of cultural recreation and media services	listed on the Shanghai Stock Exchange (stock code: 600637)	independent director since June 2015
Sun King Power Electronics Group Limited (賽晶電力電子集團有限公司)	a company engaged in the production, sales and installation of products such as electric traction systems, control systems and monitoring systems for rail transit vehicles; and sales of energy-saving and power-efficient electronic components and systems	listed on the Stock Exchange (stock code: 580)	independent non-executive director since August 2010

Dr. Chen graduated with a bachelor's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1982. He received his master's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1985, and a doctor degree from the University of Georgia in the United States of America in August 1992. He obtained his professional qualification as a Certified Management Accountant in January 2008 from the Institute of Management Accountants in the United States of America.

Mr. CHAN Peng Kuan (陳炳鈞), aged 55, was appointed as our independent non-executive Director on 18 February 2019. He is primarily responsible for supervising and providing independent judgment to our Board. Mr. Chan has more than 20 years of experience in finance and banking. He has been the chief financial officer of Elegance Optical International Holdings Limited, a company listed on the Stock Exchange (stock code: 907) which primarily engages in the manufacturing and sales of eyeglasses, since October 2017.

Prior to his current position, he served as chief operating officer of CITIC Merchant Co., Limited, a company primarily engaged in the provision of merchant banking services, from January 2012 to September 2017. Prior to that, Mr. Chan was the responsible officer at Piper Jaffray Asia Limited, a full-service investment bank, from February 2011 to November 2011. Mr. Chan also worked from March 2005 to January 2011 at BNP Paribas Capital (Asia Pacific) Limited, a company primarily engaged in the provision of investment banking services, and was a managing director of the corporate finance and Greater China Coverage department at the time of his departure.

From 15 August 2000 to 4 December 2004, Mr. Chan served as an executive director of Sanyuan Group Limited (三元集團有限公司), a company delisted from the Stock Exchange in December 2009 (stock code: 140), which principally engaged in the research and development of bio-pharmaceuticals. Mr. Chan was appointed to the board of directors of Sanyuan Group Limited (三元集團有限公司) to handle the restructuring of its business activities and materialising its debt restructuring plan.

Mr. Chan graduated with a bachelor's degree in commerce from the University of Canterbury in New Zealand in May 1989. He received his master's degree in applied finance from Macquarie University in Australia in November 1998. Mr. Chan has been a member of the Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants) since July 1993. He obtained his professional qualification as a Chartered Accountant in November 1992 from the Institute of Chartered Accountants of Australia and New Zealand (previously known as Chartered Accountants of New Zealand).

Mr. LAM Ming Fai (林名輝), aged 43, was appointed an independent non-executive Director on 18 February 2019. Mr. Lam has many years of experience in the legal industry in Hong Kong. He is currently a partner of Messrs. D. S. Cheung & Co. specialising in corporate finance, corporate/commercial and compliance and regulatory matters. Mr. Lam was admitted as a solicitor of the High Court of Hong Kong since 2001. Mr. Lam worked as an associate in the Hong Kong office of Messrs. Sidley Austin focusing on corporate finance works. Mr. Lam joined Messrs. DLA Piper Hong Kong as an associate focusing on corporate finance works with his last position as a partner since 2012 till the time of his departure. Mr. Lam graduated with a Bachelor of Laws degree from the University of Hong Kong. He is a member of the Law Society of Hong Kong.

SENIOR MANAGEMENT

Mr. WU Wei (吳偉), aged 56, is our Group's chief engineer and is responsible for the project management of our Group. Mr. Wu joined our Group in April 2004 and was appointed as chief engineer subsequently. He has over 13 years of experience in the real estate industry in the PRC. Prior to joining us, Mr. Wu was deputy manager at the time of his departure at the fifth branch office of Nanjing First Construction Engineering Group Co. Ltd* (南京第一建築工程公司) from October 1983 to 2004.

Mr. Wu obtained a diploma in industrial and civil engineering from Nanjing Jinling Vocational University (南京金陵職業大學) in the PRC in August 1983. He obtained his professional qualification as a senior engineer in November 1999.

Ms. LIU Xueqian (劉學茜), aged 42, is our assistant to the President. Ms. Liu joined our Group in March 2015 as assistant to the President and is in charge of our research and design centre and our costs control centre, responsible for the design and costs control of our property projects. Ms. Liu has over 17 years of experience in architectural design management. Prior to joining our Group, she first served as a manager of the design management department then later served as the manager of the commercial management department of Nanjing Vanke Real Estate Co., Ltd.* (南京萬科置業有限公司, currently known as 萬科企業股份有限公司) from September 2008 to March 2015. Prior to that, Ms. Liu was a project manager at (China Shanghai Architectural Design and Research Institute Co., Ltd) (Jiangsu Branch Office)* (中國建築上海設計研究院有限公司江蘇分公司) from July 2000 to August 2008, where she was responsible for architectural design.

Ms. Liu received a bachelor's degree in architecture from the Nanjing Institute of Architectural Engineering (currently known as Nanjing Tech University) (南京建築工程學院（現:南京工業大學）) in the PRC on 3 July 2000. She obtained her professional qualifications as a National First Class Certified Architect (國家一級註冊建築師) on 22 June 2012 and senior engineer on 13 December 2012.

Ms. WANG Yingning (王穎寧), aged 40, is our financial director. Ms. Wang joined our Group in May 2018 as a financial director and is responsible for managing the finances of our Group. Ms. Wang has over 16 years of experience in financial management. Prior to joining our Group, she served as an audit manager at the Nanjing Branch of Deloitte Touche Tohmatsu Certified Public Accountants (德勤華永會計師事務所南京分所) from July 2001 to May 2018, where she was responsible for the management of audit projects.

Ms. Wang received a bachelor's degree in financial management from the Shanghai University of Finance and Economics (上海財經大學) in the PRC on 1 July 2001. She obtained her professional qualifications as a certified public accountant in April 2007 from the Jiangsu Provincial Institute of Certified Public Accountants.

Company Secretary

Mr. WONG Yu Kit (黃儒傑), is our company secretary and was appointed on 6 August 2018. Mr. Wong is currently an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 10 years of experience in the corporate services field. He obtained a bachelor's degree in Business Administration and Management from the University of Huddersfield in the United Kingdom in November 2007, and a master's degree in corporate governance from the Open University of Hong Kong in November 2013.

He is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

INTRODUCTION

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report in Appendix 14 to the Rules Governing the Listing of Shares on the Stock Exchange (the "**Listing Rules**").

As the Shares were not listed on the Stock Exchange until 6 March 2019, the CG Code was not applicable to the Directors during the year ended 31 December 2018. During the period commencing from the Listing Date and up to the date of this annual report, the Company has complied with the Corporate Governance Code.

BOARD OF DIRECTORS

The Board is entrusted with the overall responsibility for promoting the success of the Company by providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. The Board is responsible for all decision-making in respect of all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control systems, risk management systems, material transactions (in particular those which may involve conflict of interests), financial information, change of Directors, ad hoc projects and other significant financial and operational matters. The Board has the full support of the management of the Group to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are currently delegated to the executive Directors and the senior management of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions. All Directors have full and timely access to all relevant information of the Company, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director may seek independent advice in appropriate circumstances at the Company's expense, upon making request to the Board.

In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this corporate governance report.

The Company has arranged appropriate liability insurance coverage for all the Directors and officers of the Group, including company securities, employment practices, crisis management, investigation, litigation, tax liabilities and public relation, etc., which is reviewed by the Board on a regular basis.

COMPOSITION

The nomination committee of the Company (the "**Nomination Committee**") ensures the composition of the Board a balance of skills, experiences, qualifications and diversity of perspectives appropriate to the requirements of the business and development of the Company. The current composition of the Board consists of two (2) non-executive Directors, four (4) executive Directors and three (3) independent non-executive Directors ("**INED(s)**"). INEDs are responsible for exercising independent judgment on various Board decisions. The Directors during the year ended 31 December 2018 were set out below:

Non-executive Directors

HUANG Qingping (黃清平) *(Chairman)*
XIE Chenguang (謝晨光)

Executive Directors

MA Baohua (馬保華)
ZHU Li (朱力)
WANG Zheng (王政)
SHAO Lei (邵磊)

Each of the following Directors were appointed after 31 December 2018 on 18 February 2019:

Independent Non-executive Directors

CHEN Shimin (陳世敏)
CHAN Peng Kuan (陳炳鈞)
LAM Ming Fai (林名輝)

Each of the executive Directors has entered into a service contract, and each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter, with our Company for an initial term of three years commencing from the Listing Date, subject to the retirement and re-election in accordance to the articles of association of the Company (the "**Articles**") and the Listing Rules, which may be terminated by not less than three months' notice in writing served by either the Director or the Company.

Pursuant to Article 112 of the Articles, all of the Directors will retire from the office of Director and shall, being eligible for re-election at the forthcoming annual general meeting of the Company to be held on Wednesday, 20 June 2019 ("**2019 AGM**"), offer themselves for re-election at the 2019 AGM. The Board and the Nomination Committee has recommended the re-election of all the retiring Directors standing for re-election at the 2019 AGM.

The participation of INEDs in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all shareholders of the Company (the "**Shareholders**") have been duly considered. Each of the INEDs has confirmed in writing his independence to the Company pursuant to Rule 3.13 of the Listing Rules and the Board and the Nomination Committee considered that all INEDs are independent.

There is a balance of skills and experiences for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Each of the Board members has no financial, business, family or other material/relevant relationships with each other.

The list of current Directors (by category) is also disclosed in this report and all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The Company also maintains on its website (www.yincheng.hk) and on the Stock Exchange's website (www.hkexnews.hk) an updated list of current Directors (by category) identifying their role and function.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant. In connection with the Listing, all the Directors had received during the year ended 31 December 2018 comprehensive, formal and tailored induction at time around or before the first occasion of his appointment, so as to ensure that he has appropriate understanding of the Group structure, Board and Board committee meetings procedures, business, management and operations of the Group, etc. and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and applicable regulatory requirements.

Besides, the Company will keep providing information and materials to develop and update Directors' knowledge and skills as and when appropriate. Such information and materials are relevant to the Group's business, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities. There are also arrangements in place for providing continuing professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense. The Company Secretary is responsible for keeping records of training taken by each Director.

BOARD MEETINGS

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year for reviewing and approving financial statements, operating performance, budgets, rules and regulations, announcements and circulars issued by the Company and considering and approving the progress of the various on-going projects, the overall strategies and policies of the Company. Additional meetings would be arranged if and when required. As the Company was not yet a listed company during the year ended 31 December 2018, the above CG Code was not applicable to the Company in 2018.

Annual meeting schedules of each meeting of the Board and for the audit committee (the "**Audit Committee**"), the Nomination Committee, the remuneration committee (the "**Remuneration Committee**") of the Company (each a "**Committee**" together the "**Committees**") are made available to Directors in advance. Board members are provided with all agenda and adequate information for their review before the meetings. The Board and Committee members are provided with comprehensive meeting papers and relevant materials within a reasonable period of time in advance of the intended meeting date. All Directors and the Committee members are given opportunities to include matters in the agenda for regular Board and Committee meetings and/or their meetings, if required. To facilitate the decision-making process, the Directors and the Committee members are free to have access to the management for enquiries and to obtain further information, when required.

After the meeting, draft minutes are circulated to all Directors and Committee members for comments. Minutes of Board meetings and Committees' meetings are kept by the Company Secretary and are available for inspection by the Directors at all times.

Directors and Committee members may participate either in person or through electronic means of communications. Directors and Committee members are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at meetings. Directors and Committee members who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Since 31 December 2018 and up to the date of this report, two Board meeting was held, with one to consider and approve the relevant resolutions in relation to the Listing and the other to consider to approve, among other things, the consolidated financial statements in this annual report. The individual attendance records of each Director at such Board meetings are set out below:

	Attendance record of Directors at the Board meeting and other meetings held since 31 December 2018 up to the date of this report				
	Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General meeting**
HUANG Qingping	2/2	1/1	1/1	N/A	N/A
XIE Chenguang	2/2	N/A	N/A	N/A	N/A
MA Baohua	2/2	N/A	N/A	1/1	N/A
ZHU Li	2/2	N/A	N/A	N/A	N/A
WANG Zheng	2/2	N/A	N/A	N/A	N/A
SHAO Lei	2/2	N/A	N/A	N/A	N/A
CHEN Shimin	2/2	1/1	1/1	1/1	N/A
CHAN Peng Kuan	2/2	1/1	1/1	1/1	N/A
LAM Ming Fai	2/2	N/A	N/A	N/A	N/A

Since the Listing Date and up to the date of this report, no annual general meeting was held.

Apart from the said meetings, matters requiring Board approval may be arranged by means of circulation of written resolutions to all Board members.

All business transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are kept by the Company Secretary and are available for inspection by the Directors at all times.

CHAIRMAN AND EXECUTIVE DIRECTORS

The Board's chairman throughout the year is Mr. Huang Qingping, being a non-executive Director. Mr. Ma Baohua is the Group's president. The day-to-day management, administration and operation of the Company are currently delegated to the executive Directors and the senior management of the Group. Therefore, there is no issue of the role of the chairman of the Board and the chief executive officer of the Group being performed by the same individual and leading to power being concentrated in any one individual. Each of the Board members has no financial, business, family or other material/relevant relationships with each other.

BOARD COMMITTEES

The Board has established three Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing different aspects of the Company's affairs. All Committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.yincheng.hk. All Committees should report to the Board on their decisions or recommendations made. All Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

AUDIT COMMITTEE

The Company established the Audit Committee on 18 February 2019 with written terms of reference currently available on the Stock Exchange's website and the Company's website.

The Audit Committee is delegated with the authority from the Board to provide independent oversight of the Group's financial reporting and internal control systems, and the adequacy of the external audits.

The Audit Committee currently consists of two (2) INEDs, namely, Mr. Chen Shimin and Mr. Chan Peng Kuan, and one non-executive Director ("**NED**"), namely, Mr. Huang Qingping. Mr. Chen Shimin currently serves as the chairman of the Audit Committee, who holds the appropriate professional qualifications as required the Listing Rules. Pursuant to the terms of reference of the Audit Committee and code provision C.3.3 of the CG Code, the members of the Audit Committee should meet at least two times a year to consider the budget, revised budget, interim report and annual report before submission to the Board and meet the external auditors at least twice a year.

As the Shares were only listed on the Main Board of the Stock Exchange on 6 March 2019 and the Audit Committee was only established on 18 February 2019, no meeting of the Audit Committee was held during the year ended 31 December 2018.

Since the Listing Date, the Audit Committee has held one (1) meeting which was also with the presence of the external auditor. During the said meeting, the following major tasks were performed:

a. reviewing and discussing annual consolidated financial statements for the year ended 31 December 2018, annual results announcements and this annual report, the related accounting principles and practices adopted by the Group and the relevant audit findings;

b. reviewing and discussing the risk management and internal control systems of the Group; and

c. discussing and recommending the re-appointment of external auditor.

The Audit Committee has recommended the re-appointment of the external auditor, Ernst & Young.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities since its establishment up to the date of this report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2018, the fee paid/payable to auditor in respect of audit service provided by the auditor to the Group were as follows:

Nature of services	2018 RMB	2017 RMB
Audit services	2,000,000	0
Reporting accountant's services in relation to Listing	4,300,000	0

During the year ended 31 December 2018, no non-audit service had been provided to the Group by the auditor.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 18 February 2019 with written terms of reference currently available on the Stock Exchange's website and the Company's website. The Nomination Committee is delegated with the authority from the Board to formulate and implement the policy for nominating Board candidates for election by Shareholders and to assess INEDs' independence and commitment.

The Company also has a board diversity policy ("**Board Diversity Policy**") and a nomination policy ("**Nomination Policy**") in place. The Nomination Policy aims at improving the transparency around the process by setting out the criteria and factors to be taken in account by the Nomination Committee in selecting and recommending candidates as Directors (including non-executive Directors and INED(s)).

In identifying suitably qualified candidates to become members of the Board, the Nomination Committee will give adequate consideration to the Board Diversity Policy and the Nomination Policy. A number of factors will be taken into account, including but not limited to age, skills, regional and industry experience, cultural and educational background, race, gender and other qualities. In forming its perspective on diversity, the Nomination Committee will also take into account factors based on the Company's own business model and specific needs from time to time.

The Nomination Policy and the Board Diversity Policy have been reviewed and shall continue to be reviewed on regular basis.

As to the right to nominate, both the Directors and the Shareholders may nominate person(s) to be appointed as a Director. Upon assessing the merits and, for INEDs, their independence, by the Nomination Committee, the Nomination Committee will make recommendations to the Board.

The Nomination Committee consists of two (2) INEDs, namely, Mr. Chen Shimin and Mr. Chan Peng Kuan, and one non-executive Director ("**NED**"), namely, Mr. Huang Qingping. Mr. Huang Qingping currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, among other things, making recommendations on any proposed changes to the Board to complement our Company's corporate strategies.

As the Shares were only listed on the Main Board of the Stock Exchange on 6 March 2019 and the Nomination Committee was only established on 18 February 2019, no meeting of the Nomination Committee was held during the year ended 31 December 2018.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 18 February 2019 with written terms of reference currently available on the Stock Exchange's website and the Company's website.

The Remuneration Committee is delegated with the authority from the Board to establish, review, and make recommendations to the Board on the Group's remuneration policy and practices. The Remuneration Committee ensures that all employees and Directors are appropriately remunerated in accordance with the Group's strategy as well as its long-term and short-term performance.

The Remuneration Committee consists of one (1) executive Director, namely Mr. Ma Baohua, and two (2) INEDs, namely Mr. Chen Shimin and Mr. Chan Peng Kuan. Mr. Chan Peng Kuan currently serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, among other things, making recommendations to the Board on our Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy and on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee is also responsible for assessing the performance of the Directors and approving the terms of their service contracts.

The aggregate remuneration (including salaries, allowances ,performance-related bonuses, pension scheme contributions and social welfare, share-based payment and other benefits in kind) payable to the Directors for the year ended 31 December 2018 was approximately RMB73.8 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the senior management (non-director and non-chief executive) by band for the year ended 31 December 2018 is set out below:

	Number of employees	
	2018	2017
HK$500,000 to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$21,000,001 to HK$21,500,000	**1**	–

Of the five individuals with the highest emoluments, 3 of them (2017: 3) are our executive Directors and 1 of them is a non-executive Directors (2017: 1). Details of the remuneration of each Director and the five individuals with the highest emoluments in the Group for the year ended 31 December 2018 are set out in note 8 to the consolidated financial statements, respectively.

As the Shares were only listed on the Main Board of the Stock Exchange on 6 March 2019 and the Remuneration Committee was only established on 18 February 2019, no meeting of the Remuneration Committee was held during the year ended 31 December 2018.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Anglo Chinese Corporate Finance, Limited ("**Anglo Chinese**"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and Anglo Chinese dated 8 June 2018 in connection with the Listing, none of Anglo Chinese or its directors, employees or close associates (as defined in the Listing Rules) had any interest in the Group as at 31 December 2018 and up to the date of this report, which is required to be notified to the Company pursuant to Rule 3A.19 of the Listing Rule.

COMPANY SECRETARY

The Company has engaged SWCS Corporate Services Group (Hong Kong) Limited, external service provider, and Mr. Wong Yu Kit has been appointed as the Company's company secretary. The primary contact person at the Company whom the service provider can contact is Ms. An Qi, director of Investor Relations of the Company.

During the year ended 31 December 2018, the Company Secretary had taken not less than 15 hours of relevant professional training.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 66 to 67 of this annual report. In preparing the financial statements for the year ended 31 December 2018, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "**Securities Dealing Code**").

As the Shares were not listed on the Stock Exchange until 6 March 2019, the Model Code was not applicable to the Directors during the year ended 31 December 2018.

Having made specific enquiry, all Directors have confirmed that they have complied with the Securities Dealing Code since the Listing Date and up to the date of this report.

No incident of non-compliance of the Securities Dealing Code was noted by the Company since the Listing Date up to the date of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems.

Such systems are designed to manage and mitigate risks inherent in the Group's business to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Board has entrusted the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covered all material controls, including financial, operational and compliance controls. Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The Company has an internal audit function which aims at helping the Company accomplish its objectives by applying a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management and internal control systems of the Group.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company has adopted internal policy and procedures in relation to handling of inside information (the "**Inside Information Policy**") which governs the disclosure of inside information and strictly prohibit unauthorised use of inside information and has communicated that to all relevant staff. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only the Directors and delegated officers can act as the Group's spokesperson and respond to external enquiries about the Group's affairs. No incident of non-compliance of the procedure, and internal controls in the Inside Information Policy was noted by the Company since the Listing Date up to the date of this report.

During the year ended 31 December 2018 in connection with the Listing, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions. The review was made by discussions with the management of the Company and its external internal control consultant and the assessment conducted by the Board. The Board believes that the existing internal control system is adequate and effective, in particular, for financial reporting and Listing Rules compliance.

INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies.

Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the Shareholders at the annual general meetings of the Company. The chairman of the Board will attend the annual general meetings to answer Shareholders' questions. The auditor of the Company will also attend the annual general meetings to answer questions about the conduct of the audit.

The 2019 AGM of the Company will be held on Thursday, 20 June 2019, the notice of which shall be sent to the Shareholders in accordance with the Articles, the Listing Rules and other applicable laws and regulations.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general 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 after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Pursuant to the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members of the Company 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 (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong at Room 4502, 45/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for the attention of the Company Secretary.

The Requisition must state clearly the name, the contact information of the Eligible Shareholder(s) concerned, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned. The Eligible Shareholder(s) must prove his/her/their shareholding in the Company to the satisfaction of the Company.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's Hong Kong share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

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

The Shareholders may at any time send their enquiries and concerns to the Board in writing to its principal place of business in Hong Kong at Room 4502 45/F Far Easter Finance Centre 16 Harcourt Road Admiralty Hong Kong or such other means of contact as set out in the website of the Company from time to time.

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business, performance and strategies. The Company endeavors to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

DIVIDEND POLICY

The Company has a dividend policy (the "**Dividend Policy**") in effect. The Dividend Policy sets out the factors that the Board will take into account in deciding the declaration of interim dividends, special dividends and final dividends. The Dividend Policy aims at enhancing transparency of the Company and facilitating the Shareholders and investors to make informed investment decisions relating to the Company.

The dividend that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the Group's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which the Directors may deem relevant at such time.

CONSTITUTIONAL DOCUMENTS

The existing Articles were adopted on 18 February 2019 and became effective on 6 March 2019.

A copy of the Articles is posted on the designated website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yincheng.hk).

There had been no changes to the Articles since the Listing Date to the date of this report.

On behalf of the Board

Huang Qingping
Chairman and non-executive Director
25 March 2019

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Company's shares were listed on the Stock Exchange on 6 March 2019 ("**Listing**"). The Company and its subsidiaries now comprising the Group underwent the Reorganisation (as defined in the Prospectus) as set out in the prospectus of the Company dated 22 February 2019 ("**Prospectus**"). During the year ended 31 December 2018, the subsidiaries now comprising the Group were involved in property development and property investment.

Details of the principal activities of the principal subsidiaries of the Company are set out in note 1 to the consolidated financial statements. A review and analysis of the Group's performance for the year ended 31 December 2018 is set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections in this annual report. For future business development, the Group will continue to focus on its existing property development business and acquiring high-quality land parcels in the Yangtze River Delta Megalopolis in China. Save as disclosed in the section headed "Directors' Report — Subsequent Events" in this annual report, the Group has no significant events after the end of the financial year ended 31 December 2018 and up to the date of this annual report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report. A financial summary of the Group for the four years ended 31 December 2015, 2016, 2017 and 2018, respectively as extracted from the Prospectus and the audited consolidated financial statements in this annual report have been set out on page 5 in this annual report.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces, among others, the following principal risks and uncertainties: (i) uncertainty as to obtaining adequate financing to fund the Group's projects and future development; (ii) uncertainty as to business expansion into new cities and regions; (iii) risks relating to the performance of the PRC property markets; (iv) uncertainty as to acquiring desired land reserves for development at locations suitable for the Group's development and at acceptable prices; (v) risks relating to profitability of property projects; (vi) risks relating to fluctuation in cost such as construction materials and labour costs; and (vii) risks relating to the government policies and regulations affecting the PRC property markets.

For details of the risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" in the Prospectus, and for details of the financial risks and the related risk management policies and practices used by the Group, please refer to Note 43 headed "Financial Risk Management Objectives and Policies" to the consolidated financial statements in this annual report.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in the Prospectus, during the year ended 31 December 2018 and up to the date of this annual report, the Group did not perform any material acquisition or disposal of subsidiaries and associated companies.

SUBSEQUENT EVENTS

In connection with the Listing, on 6 March 2019, 354,262,000 new ordinary shares of the Company of HK$0.1 each ("**Shares**") were issued at a price of HK$2.38 per Share and 1,058,534,993.4660 new Shares were issued pursuant to the Capitalisation Issue (as defined in the Prospectus). On 3 April 2019, as a result of the Over-allotment Option (as defined in the Prospectus) being partially exercised, 29,914,000 new Shares were allotted and issued at the price of HK$2.38 per Share.

Other than the event as mentioned above, the Board is not aware of any material events undertaken by the Group subsequent to 31 December 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 13 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements during the year ended 31 December 2018 in the share capital of the Company are set out in note 31 to the consolidated financial statements in 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 the existing Shareholders.

RESERVES

Details of the amounts and movements in the reserves of the Company and the Group are set out in note 32 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to Shareholders comprised of the share premium, capital reserve and retained profits with an aggregate amount approximately RMB674.2 million (2017: no reserve available for distribution to Shareholders.)

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the revenue derived from the Group's largest customer and the five largest customers accounted for approximately 0.38% and 1.18% (2017: approximately 0.8% % and 1.6%) of the Group's total revenue for the year, respectively.

During the year, purchases from the Group's largest supplier and five largest suppliers accounted for approximately 22.38% and 43.14% (2017: approximately 36.6% and 62.0%) of the Group's total purchases for the year, respectively.

At no time during the year under review, that any of the Directors, their close associates or any Shareholders (which to the best knowledge of the Directors who owns more than 5% of the Company's issued share capital), has any interests in any of the above five largest customers and suppliers of the Group for the year.

RELATIONSHIP WITH EMPLOYEES

The Group understands the importance of maintaining a good relationship with its employees, suppliers, customers and other stakeholders to meet its immediate and long-term goals. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

During the year ended 31 December 2018, there were no material and significant dispute between the Group and its employees, suppliers, customers and/or other stakeholders.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report "on pages 35 to 46 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment and complying with the applicable environmental laws and regulations.

The administrative procedures in relation to environmental protection for property development projects may vary depending on the practice of the local government authorities. For cities such as Zhenjiang, each of our property projects must undergo an environmental impact assessment; and we shall submit the relevant environmental impact study report to the environmental authorities for approval before commencement of construction of our projects, and submit the relevant environmental impact analysis table to the environmental authorities for record-filing. For cities such as Nanjing and Hangzhou, we submit the relevant environmental impact table for construction projects to the environmental authorities for record-filing. Upon completion of each property construction, pursuant to the Administrative Regulations on the Environmental Protection of Construction Projects and other relevant laws and regulations, the environmental protection facilities are subject to corresponding checks and acceptance procedures.

Under our standard construction contracts, we require our contractors to strictly comply with the relevant environmental and safety laws and regulations. Our legal and audit department and human resources and administration centre also provide trainings to other departments on the updates in PRC environmental laws and regulations.

None of our properties had received any material fines or penalties associated with the breach of any environmental laws or regulations since the commencement of their operations during the year ended 31 December 2018.

Our 2018 Environmental, Social and Governance Report shall be published separately.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to keep itself updated over the requirement of the relevant laws and regulations applicable to it to ensure compliance. During the year ended 31 December 2018 and up to the date of this annual report, to the best of the Company's knowledge, information and belief, having made all reasonable enquiries, the Group is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group for the year ended 31 December 2018.

Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the Listing Rules are provided in the Corporate Governance Report of this annual report.

DIRECTORS

The Directors who held office during the year ended 31 December 2018 and up to the date of this annual report were:

Non-executive Directors

HUANG Qingping (黃清平) *(Chairman)*
XIE Chenguang (謝晨光)

Executive Directors

MA Baohua (馬保華)
ZHU Li (朱力)
WANG Zheng (王政)
SHAO Lei (邵磊)

Independent Non-executive Directors

CHEN Shimin (陳世敏)
CHAN Peng Kuan (陳炳鈞)
LAM Ming Fai (林名輝)

In accordance with the Articles, at each annual general meeting, at least one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Pursuant to Article 112 of the Articles, all of the Directors will retire from the office of Director and shall, being eligible for re-election at the 2019 AGM, offer themselves for re-election at the 2019 AGM.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of all the Directors and senior management of the Company are set out on pages 30 to 34 of this report.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors as independent.

DIRECTORS' SERVICE CONTRACT

Each of our executive Directors has entered into a service contract, and each of our non-executive Directors and independent non-executive Directors has entered into an appointment letter, with our Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either our Director or our Company.

Pursuant to the individual service contracts or, the case may be, appointment letters, each of our executive Directors and our non-executive Directors is entitled to a fixed amount of emolument and discretionary bonus to be determined by our Board. For our independent non-executive Directors, pursuant to the then individual appointment letters, each of them is entitled to a fixed director's fee.

All of the executive Directors' service contracts and the non-executive Director's and independent non-executive Director's letters of appointment entered between the Company and the respective Director has been reviewed and ratified by the Nomination Committee. None of the Directors being proposed for re-election at the 2019 AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 836 (2017: 337) employees. The emolument policy of the employees of the Group is formulated by the Remuneration Committee based on their merit, qualifications and competence. It is the Group's policy to compensate each employee fairly and equitably. The Group has a system for measuring employees' performance against agreed-upon goals with specific performance standards. Performance discussion is carried out on an ongoing basis and a formal evaluation is conducted at least once a year to review employees' overall performance, achievements, and areas in need of improvement. Salary review will be based on both Group's performance and individual performance and subject to the Group's discretion.

We enter into labor contracts with all of our employees. We offer our employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. To incentivize our employees and promote the long-term growth of the Company, We have adopted a share option scheme (the "**Share Option Scheme**"). Details of the Share Option Scheme are set out in the sections headed "Director's report — Share Option Scheme".

The emoluments of the Directors of the Company are generally decided by the Remuneration Committee and then recommended to the Board, having regard to the Group's operating results, individual performance and comparable market statistics. All the emoluments of Directors have been reviewed and approved or ratified by the Remuneration Committee.

During the years ended 31 December 2018 and 2017, no amount was paid to the Directors or the five highest paid individuals, as inducement to join or upon joining the Group. In addition, no compensation was paid to the Directors or past Directors for the same period in connection with the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

Details of the emoluments of the Directors and the five highest paid employees of the Group are set out in notes 8 and 9 to the consolidated financial statements of this annual report.

SHARE OPTION SCHEME

On 18 February 2019, the Share Option Scheme was conditionally approved and adopted by the then shareholders of the Company and its implementation is conditional on the listing. The purpose of the Share Option Scheme is to provide the Company with a means of incentivising or rewarding the Participants (as defined below) for their contributions or potential contributions to the Group, and to motivate employees to optimize their performance efficiency for the benefit of the Company and attract and retain an on-going relationship with Participants whose contribution are or will be beneficial to the long-term growth of the Group.

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within the period of 10 years after the adoption date, being 18 February 2019 to 17 February 2029, to grant options to, among others, any director or employee of the Group who in the sole discretion of the Board has contributed or will contribute to the Group (the "**Participant**").

No offer shall be made and no option shall be granted to any Participant in circumstances prohibited by the Listing Rules at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period; and (ii) the deadline for the Company to an announcement of its annual results or half-year ,or quarterly or other interim period (whether or not required under the Listing Rules); and ending on the date of actual publication of such results announcement.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and all other share option schemes existing at such time of the Company shall not in aggregate exceed 141,704,813 Shares (representing approximately 10% of the total number of Shares in issue as of the Listing Date, the "**Scheme Mandate Limit**"), which represents approximately 9.8% of the total number of Shares in issue as at the date of this annual report (based on the total number of Shares in issue as at the date of this annual report, i.e, 1,446,962,138 Shares).

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to any Participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12 month period shall not at the time of grant exceed 1% of the Shares in issue, unless otherwise separately approved by shareholders in general meeting with such Participant and his associates abstaining from voting.

The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of adoption of the Share Option Scheme.

The exercise price shall be a price determined by the Board and notified to a Participant but in any event shall be at least the higher of:

- the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

- the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

- the nominal value of a Share on the date of grant.

Participants are required to pay HK$1.00 as consideration for the acceptance of an option granted to them.

Further details of the principal terms of the Share Option Scheme are set out in the Prospectus. During the period from 18 February 2019 and up to the date of this annual report, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

DEED OF NON-COMPETITION

Mr. Huang Qingping, Silver Huang Holding Limited and Silver Vally Holding Limited (together, the "**Controlling Shareholders**"), have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition (the "**Deed of Non-Competition**") entered into between the Controlling Shareholders and the Company dated 20 February 2019 during the period under review. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" in the Prospectus.

The independent non-executive directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the Controlling Shareholders during the period under review.

MANAGEMENT CONTRACT

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

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE FOR PROVISION OF SERVICES

Save as disclosed in the paragraphs headed "Continuing Connected Transactions" in this report and in note 40 to the audited consolidated financial statements in this annual report, there were no contracts of significance for the provision of services to the Group by any controlling Shareholder or substantial Shareholder or any of the subsidiaries or companies controlled by any controlling Shareholder or substantial Shareholder, which subsisted at the end of the year or at any time during the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraphs headed "Continuing Connected Transaction" in this report and in note 40 to the audited consolidated financial statements in this annual report, there were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the controlling Shareholders, the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

On 6 March 2019, being the date on which the Shares were initially listed on the Stock Exchange and from which dealings in the Shares commenced on the Stock Exchange (the "**Listing Date**"), the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") which are (a) recorded in the register required to be kept under section 352 of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard dealings by directors of listed issuer as referred to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), were as follows:

Long Positions in the Shares

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding interest (Note)
Mr. Huang Qingping	Interest in controlled corporation	539,089,534	38.04%
Mr. Xie Chenguang	Interest in controlled corporation	78,085,490	5.51%
Mr. Ma Baohua	Interest in controlled corporation	71,919,056	5.08%
Mr. Zhu Li	Interest in controlled corporation	36,192,609	2.55%
Mr. Wang Zheng	Interest in controlled corporation	10,627,861	0.75%
Ms. Shao Lei	Interest in controlled corporation	10,627,861	0.75%

Notes:

(1) Silver Huang Holding Limited and Silver Vally Holding Limited are wholly-owned by Mr. Huang who is deemed to be interested in the Shares held by Silver Huang Holding Limited and Silver Vally Holding Limited under the SFO.

(2) Silver Xie Holding Limited is wholly-owned by Mr. Xie Chenguang who is deemed to be interested in the Shares held by Silver Xie Holding Limited under the SFO.

(3) Silver Ma Holding Limited is wholly-owned by Mr. Ma Baohua who is deemed to be interested in the Shares held by Silver Ma Holding Limited under the SFO.

(4) Silver Li Holding Limited is wholly-owned by Mr. Zhu Li who is deemed to be interested in the Shares held by Silver Li Holding Limited under the SFO.

(5) Silver Wang Holding Limited is wholly-owned by Mr. Wang Zheng who is deemed to be interested in the Shares held by Silver Wang Holding Limited under the SFO.

(6) Silver Shao Holding Limited is wholly-owned by Ms. Shao Lei who is deemed to be interested in the Shares held by Silver Shao Holding Limited under the SFO.

Save as disclosed above, as at the Listing Date, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

Note: The percentage shareholding interest was calculated based on the total number of Shares in issue as at the Listing Date i.e., 1,417,048,138 Shares.

Directors' Rights to Acquire Shares and Debentures

At no time since the Listing Date and up to the date of this report was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement which would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executive of the Company, as at the Listing Date, the following persons (other than Directors or chief executive of the Company whose interests are disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above) have interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding interest (Note)
Silver Huang Holding Limited	Beneficial owner	517,833,810	36.54%
Silver Dai Holding Limited	Beneficial owner	187,777,351	13.25%
Dai Chengshu	Interest in controlled corporation	187,777,351	13.25%
Silver Zhu Holding Limited	Beneficial owner	101,730,089	7.18%
Zhu Linnan	Interest in controlled corporation	101,730,089	7.18%
Silver Xie Holding Limited	Beneficial owner	78,085,490	5.51%
Silver Ma Holding Limited	Beneficial owner	71,919,056	5.08%

Notes:

(1) Silver Huang Holding Limited is wholly-owned by Mr. Huang who is deemed to be interested in the Shares held by Silver Huang Holding Limited under the SFO.

(2) Silver Dai Holding Limited is wholly-owned by Mr. Dai who is deemed to be interested in the Shares held by Silver Dai Holding Limited under the SFO.

(3) Silver Zhu Holding Limited is wholly-owned by Mr. Zhu Linnan who is deemed to be interested in the Shares held by Silver Zhu Holding Limited under the SFO.

(4) Silver Xie Holding Limited is wholly-owned by Mr. Xie Chenguang who is deemed to be interested in the Shares held by Silver Xie Holding Limited under the SFO.

(5) Silver Ma Holding Limited is wholly-owned by Mr. Ma Baohua who is deemed to be interested in the Shares held by Silver Ma Holding Limited under the SFO.

Note: The percentage shareholding interest was calculated based on the total number of Shares in issue as at the Listing Date, i.e., 1,417,048,138 Shares.

Save as disclosed above, as at the Listing Date, the Directors were not aware of any other person who had or deemed to have interests or short positions in the Shares and underlying Shares which has disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles and subject to the applicable laws, the Directors 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. Such provision shall be in force from the Listing Date. The Company has taken out directors' liability insurance that provides appropriate cover for the Directors.

COMPETING INTEREST

Save as disclosed in the paragraphs headed "Yincheng Real Estate" and "Delineation of Business" in the section headed "Relationship with our Controlling Shareholders" in the Prospectus, during the year ended 31 December 2018, none of the Directors or the controlling shareholders of the Company or their close associates (as defined in the Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group of interests with the Group for the year ended 31 December 2018.

BORROWINGS

As at 31 December 2018, the Group had total bank and other borrowings of RMB10,191.4 million, compared with RMB5,660.1 million as at 31 December 2017. The Group's borrowings are mainly denominated in Renminbi.

The details are set out in "Management Discussion and Analysis — Liquidity and Capital Resources — Indebtedness" in this annual report.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

At no time during the year end 31 December 2018 was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. No equity-linked agreements were entered into by the Company during the or subsisted at the end of the year.

PURCHASE, SALES OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Save as described in the Prospectus, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company from the Listing Date and up to the date of this report, save for those related to the reorganization, details of which may refer to the Prospectus.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient prescribed public float of not less than 25% of the issued Shares as required under the Listing Rules from the period from the Listing Date up to the date of this report.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Anglo Chinese Corporate Finance, Limited ("**Anglo Chinese**"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and Anglo Chinese dated 18 June 2018 in connection with the Listing, none of Anglo Chinese or its directors, employees or close associates (as defined in the Listing Rules) had any interest in the Group as at 31 December 2018 and up to the date of this report, which is required to be notified to the Company pursuant to Rule 3A.19 of the Listing Rule.

BOARD COMMITTEES

The Board has established three Committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee for overseeing particular aspects of the Company's affairs. All Committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.yincheng.hk.

All the Committees should report to the Board on their decisions or recommendations made. All committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

ISSUE OF SHARES AND USE OF PROCEEDS FROM THE GLOBAL OFFERING

In connection with the Listing, on 6 March 2019, 354,262,000 new ordinary shares of the Company of HK$0.1 each ("**Shares**") were issued at a price of HK$2.38 per Share and 1,058,534,993.4660 new Shares were issued pursuant to the Capitalisation Issue (as defined in the Prospectus). On 3 April 2019, as a result of the Over-allotment Option (as defined in the Prospectus) being partially exercised, 29,914,000 new Shares were allotted and issued at the price of HK$2.38 per Share. The total net proceeds raised from the Global Offering (including the issuance of Shares pursuant to the partial exercise of the Over-allotment Option), after deducting all the underwriting commissions, transaction levy and trading fee (as applicable) and all other listing expenses in connection with the Global Offering, was approximately HK$855.8 million.

The details of use of proceeds by the Group are set out in "Management Discussion and Analysis — Liquidity and Capital Resources — Use of Proceeds from the Initial Public Offering".

CONTINUING CONNECTED TRANSACTIONS

Yincheng Real Estate Group Co., Ltd.* (銀城地產集團股份有限公司) ("**Yincheng Real Estate**") is owned as to approximately 53.11% by Mr. Huang Gingping, and is thus a close associate of Mr. Huang Gingping who is one of the controlling shareholders of the Company within the meaning of the Listing Rules ("**Controlling Shareholders**"). Therefore, Yincheng Real Estate is a connected person of the Company.

The Company has entered into the following transactions with Yincheng Real Estate and/or its subsidiaries (collectively, "**Yincheng Real Estate Group**") during the year ended 31 December 2018 which constitute continuing connected transactions under the Listing Rules and has on the dates indicated in the table below entered into written agreements with Yincheng Real Estate to govern such continuing connected transactions:

Description of continuing connected transactions	Agreement	Date of agreement	Parties to agreement	Term	Annual cap	Transaction amount for the year ended 31 December 2018
1. Yincheng Real Estate agreed to grant to the Group non-transferrable licence to use several trademarks registered in the PRC and in Hong Kong	Trademark Licensing Agreement	18 February 2019	(1) Yincheng Real Estate; and (2) the Company	From the Listing Date to the expiry of the relevant trademark registration	N/A. On royalty — free basis	N/A. On royalty — free basis
2. Yincheng Real Estate Group agreed to provide to the Group hotel accommodation, conference facilities and catering services in return for service fees	Master Hotel Services Agreement	18 February 2019	(1) Yincheng Real Estate; and (2) the Company	From the Listing Date until 31 December 2021	Will not exceed RMB2.2 million, RMB2.6 million and RMB4.0 million for each of the three years ending 31 December 2021, respectively	Approximately RMB1,923,000
3. Yincheng Real Estate Group agreed to provide two vehicles for the Group's daily business operations in return for a monthly rental of RMB35,000 (inclusive of insurance fee)	Vehicle Rental Agreement	18 February 2019	(1) Yincheng Real Estate; and (2) the Company	From the Listing Date until 31 December 2021	Will not exceed RMB0.42 million, RMB0.42 million and RMB0.42 million for each of the three years ending 31 December 2021, respectively	Approximately RMB420,000

Description of continuing connected transactions	Agreement	Date of agreement	Parties to agreement	Term	Annual cap	Transaction amount for the year ended 31 December 2018
4. The Group agreed to lease from Yincheng Real Estate certain offices situated at 19th to 21st Floor, Block A, Yincheng Plaza, 289 Jiangdongbeilu, Nanjing, the PRC with total GFA of 2,870 sq.m. with a monthly rental of RMB377,883 (inclusive of management fees) and 160 car parking spaces situated at the basement of Yincheng Plaza, 289 Jiangdongbeilu, Nanjing, the PRC with a monthly rental of RMB88,000 (inclusive of management fees)	First Master Property Lease Agreement	18 February 2019	(1) Yincheng Real Estate; and (2) the Company	From the Listing Date until 31 December 2021	Will not exceed RMB5.60 million, RMB5.60 million and RMB5.60 million for each of the three years ending 31 December 2021, respectively	Approximately RMB4,546,000
5. Yincheng Real Estate Group agreed to lease from the Group the following properties:	Second Master Property Lease Agreement	18 February 2019	(1) Yincheng Real Estate; and (2) the Company	From the Listing Date until 31 December 2021	Will not exceed RMB48.55 million, RMB69.10 million and RMB69.10 million for each of the three years ending 31 December 2021, respectively	Approximately RMB2,324,000

Note: As at 31 December 2018, Yincheng Real Estate Group has only incurred transaction amount for renting Property 1 and no amount had been incurred for Property 2 and Property 3 yet as such projects are expected to be available for leasing from September 2019 and March 2019 respectively.

Description of continuing connected transactions	Agreement	Date of agreement	Parties to agreement	Term	Annual cap	Transaction amount for the year ended 31 December 2018
6. Yincheng Real Estate agreed to provide property management services in respect of the unsold property units and the sold property units prior to the agreed delivery date as set out on the property purchase contract for projects developed by the Group including maintaining sales offices of property projects of the Group	Master Property Management Services Agreement	18 February 2019	(1) Yincheng Real Estate; and (2) the Company	From the Listing Date until 31 December 2021	Will not exceed RMB45.94 million, RMB75.12 million and RMB76.80 million for each of the three years ending 31 December 2021, respectively	Approximately RMB14,010,000
7. Yincheng Real Estate Group agreed to provide marketing and sales services, including but not limited to providing market and sales services to the on-site sales office of the Group	Master Marketing and Sales Services Agreement	18 February 2019	(1) Yincheng Real Estate; and (2) the Company	From the Listing Date until 31 December 2021	Will not exceed RMB16.0 million, RMB25.6 million and RMB40.0 million for each of the three years ending 31 December 2021, respectively	Approximately RMB8,507,000

Compliance with the Listing Rules:

1. **Trademark Licence Agreement**

   As the right to use the licenced trademarks is granted to the Group on a royalty-free basis, the transaction under the Trademark Licence Agreement falls within the de minimus threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. **Master Hotel Services Agreement**

   Since each of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps in relation to the Hotel Services is expected to be less than 0.1%, the transactions under the Master Hotel Services Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. **Vehicle Rental Agreement**

   Since each of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps in relation to the Vehicle Rental Agreement is expected to be less than 0.1%, the transactions under the Vehicle Rental Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. **First Master Property Lease Agreement**

   As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the First Master Property Lease Agreement is expected to be less than 5%, the transactions under the First Master Property Leasing Arrangement will be subject to the reporting, annual review, announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. **Second Master Property Lease Agreement**

   As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Second Master Property Lease Agreement is expected to be less than 5%, the transactions under the Second Master Property Leasing Agreement will be subject to the reporting, annual review, announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

6. **Master Property Management Services Agreement**

   As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Master Property Management Services Agreement is expected to be less than 5% on an annual basis, the transactions under the Master Property Management Services Agreement will be subject to the reporting, annual review, announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

7. **Master Marketing and Sales Services Agreement**

As each of the applicable percentage ratios for the Master Marketing and Sales Services Agreement is expected to be less than 5% on an annual basis, the transactions under the Master Marketing and Sales Services Agreement will be subject to the reporting, annual review, announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the transactions under the First Master Property Lease Agreement, Second Master Property Lease Agreement, Master Property Management Services Agreement and Master Marketing and Sales Services Agreement which are subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement, pursuant to Rule 14A.105 of the Listing Rules, the Company has applied for, and the Stock Exchange has granted, waivers exempting the Company from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules subject to the condition that the aggregate amounts of such continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps stated above.

For further details of the continuing connected transactions as mentioned above, please refer to the section headed "Continuing Connected Transactions" in the Prospectus.

The continuing connected transactions (except for the granting of trademark licence under the Trademark Licensing Agreement) as mentioned above also constitute related party transactions of the Company under the IFRS(s), details of which are set out in Note 40 to the consolidated financial statements in this annual report. Save for the transactions disclosed above, the other related party transactions as set out in Note 40 to the consolidated financial statements do not constitute connected transactions or continuing connected transaction which require announcement, annual review and independent shareholders' approval under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been prepared by Ernst & Young, the auditor of the Company, who will retire at the conclusion of the 2019 AGM and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the 2019 AGM.

AGM AND CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the forthcoming annual general meeting

For the purpose of determination of eligibility to attend and vote at the forthcoming annual general meeting ("**AGM**"), the register of members of the Company will be closed from Monday, 17 June 2019 to Thursday, 20 June 2019 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the forthcoming AGM to be held on Thursday, 20 June 2019, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Friday, 14 June 2019.

All references above to other sections, reports or notes in this annual report form part of this annual report.

Note:

In this annual report, English names of PRC entities marked "" are translations of their Chinese names for identification only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*

By order of the Board
Huang Qingping
Chairman

Nanjing, 25 March 2019

To the shareholders of Yincheng International Holding Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Yincheng International Holding Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 172, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from property development projects ("PDP")	
The Group's revenue is almost from PDP for the year ended 31 December 2018. Revenue from PDP is recognised when all of the following criteria have been met: (i) the sale and purchase agreement has been signed; (ii) the related deposit has been received and the arrangements for the settlement of the remaining proceeds have been confirmed; and (iii) the property has been handed over to the buyer, as stipulated in the sale and purchase agreement We identified the recognition of revenue for PDP as a key audit matter because of its significance to the Group and because small errors in recognition of revenue, in aggregate, for each property development project could have a material impact on the Group's profit for the year ended 31 December 2018. The accounting policies and disclosures for the revenue recognition are included in notes 2.3 and 5 to the consolidated financial statements.	Our audit procedures to assess the recognition of revenue for PDP included the following: (i) evaluating the design, implementation of operating effectiveness of key internal controls over the recording of revenue for PDP; (ii) inspecting the terms of the standard sale and purchase agreements for sales of PDP to assess the Group's revenue recognition policies for sales of PDP, with reference to the requirements of the prevailing accounting standards; (iii) inspecting, on a sample basis for sales of PDP recognised during the year ended 31 December 2018, sale and purchase agreements and documents which evidence that the properties were physically possessed or the legal titles of the properties were obtained by the buyers and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition accounting policies; (iv) inspecting, on a sample basis and documents which evidenced that the properties were physically possessed or the legal titles of the properties were obtained by the buyers before and after 31 December 2018 to assess whether the related revenue had been recognised in the appropriate financial period.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Provision for land appreciation tax	
The Group is a property developer in Mainland China focusing on the development of residential properties. Land appreciation tax ("LAT") in Mainland China is one of the main components of the Group's taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of each reporting period, the Group estimates the provision for land appreciation tax based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes prepaid land lease payments, property development costs and borrowing costs. When the LAT is subsequently determined, the actual payments may be different from the estimates. The accounting policies and disclosures for the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.	We obtained an understanding of the key management controls related to the LAT provision. We involved our internal tax specialist to assess the LAT provision, including the estimates and assumptions used by the Group. We also recalculated the LAT provision by testing the underlying data.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K. W. Lau.

Certified Public Accountants
Hong Kong
25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**5,070,094**	4,675,644
Cost of sales		**(3,600,043)**	(3,892,117)
GROSS PROFIT		**1,470,051**	783,527
Other income and gains	5	**324,069**	35,502
Selling and distribution expenses		**(237,271)**	(55,567)
Administrative expenses		**(331,536)**	(62,162)
Other expenses		**(15,909)**	(33,058)
Fair value gains on investment properties	15	**14,803**	21,028
Finance costs	7	**(254,007)**	(177,021)
Share of profits and losses of:			
Joint ventures		**(19,716)**	11,725
Associates		**111,373**	71,007
PROFIT BEFORE TAX	6	**1,061,857**	594,981
Income tax expense	10	**(566,535)**	(204,372)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**495,322**	390,609
Attributable to:			
Owners of the Company		**442,440**	420,219
Non-controlling interests		**52,882**	(29,610)
		495,322	390,609
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	**0.47**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**362,642**	82,137
Investment properties	15	**811,900**	418,100
Prepaid land lease payments	16	**258,430**	109,678
Intangible assets	14	**6,364**	–
Investments in joint ventures	17	**103,739**	124,328
Investments in associates	18	**281,185**	286,462
Deferred tax assets	19	**199,194**	147,971
Total non-current assets		**2,023,454**	1,168,676
CURRENT ASSETS			
Properties under development	21	**17,397,704**	6,990,880
Completed properties held for sale	22	**2,123,761**	1,280,040
Trade receivables		**2**	1,992
Due from related companies	40	**1,184,581**	2,584,977
Prepaid land lease payments	16	**5,440**	2,346
Prepayments, deposits and other receivables	23	**939,409**	2,144,454
Tax recoverable		**145,782**	100,396
Available-for-sale investments	20	**–**	321,008
Restricted cash	24	**122,820**	138,625
Pledged deposits	24	**7,441**	–
Cash and cash equivalents	24	**1,589,181**	1,171,303
Total current assets		**23,516,121**	14,736,021
CURRENT LIABILITIES			
Trade and bills payables	25	**2,250,325**	917,403
Other payables, deposits received and accruals	26	**2,908,338**	1,219,012
Due to related companies	40	**1,615,416**	2,013,667
Interest-bearing bank and other borrowings	29	**5,300,063**	1,342,363
Contract liabilities	28	**5,274,810**	3,839,732
Financial guarantee contracts	30	**6,289**	6,289
Tax payable	10	**504,146**	242,486
Total current liabilities		**17,859,387**	9,580,952
NET CURRENT ASSETS		**5,656,734**	5,155,069
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,680,188**	6,323,745

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**4,891,341**	4,317,734
Financial guarantee contracts	30	**12,578**	18,867
Deferred tax liabilities	19	**365,970**	699
Total non-current liabilities		**5,269,889**	4,337,300
NET ASSETS		**2,410,299**	1,986,445
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**347**	–
Treasury shares	31	**(7)**	–
Reserves	32	**1,568,259**	1,330,859
		1,568,599	1,330,859
Non-controlling interests		**841,700**	655,586
TOTAL EQUITY		**2,410,299**	1,986,445

Mr. Ma Baohua
Director

Ms. Shao Lei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital RMB'000 (note 31)	Treasury shares RMB'000 (note 31)	Merger reserve* RMB'000 (note 32(c))	Capital reserve* RMB'000 (note 32(a))	Statutory surplus reserves* RMB'000 (note 32(b))	Retained profits/ (accumulated losses)* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2018	–	–	910,919	–	188,133	231,807	1,330,859	655,586	1,986,445
Issue of new shares	347	(7)	–	–	–	–	340	–	340
Capital contribution upon the Reorganisation	–	–	(100,137)	–	–	–	(100,137)	–	(100,137)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	352,350	352,350
Acquisition of subsidiaries	–	–	–	–	–	–	–	159,171	159,171
Share-based payment	–	–	–	82,600	–	–	82,600	–	82,600
Acquisition of a non-controlling shareholders by the then shareholders	–	–	(187,503)	–	–	–	(187,503)	(334,025)	(521,528)
Total comprehensive income for the year	–	–	–	–	–	442,440	442,440	52,882	495,322
Distribution declared to non-controlling shareholders**	–	–	–	–	–	–	–	(44,264)	(44,264)
As at 31 December 2018	347	(7)	623,279	82,600	188,133	674,247	1,568,599	841,700	2,410,299

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent							
	Share capital RMB'000 (Note 31)	Merger reserve* RMB'000 (Note 32(c))	Capital reserve* RMB'000 (Note 32(a))	Statutory surplus reserve* RMB'000 (Note 32(b))	Retained profits/ (accumulated losses)* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2017	–	1,371,461	–	144,836	56,885	1,573,182	260,268	1,833,450
Disposal of a subsidiary to a related party which is under common control of the Then Parent Company	–	(35,614)	–	(19,791)	19,791	(35,614)	–	(35,614)
Total comprehensive income/ for the year	–	–	–	–	420,219	420,219	(29,610)	390,609
Appropriations to statutory surplus reserve	–	–	–	63,088	(63,088)	–	–	
Capital contribution from non-controlling shareholders	–	(424,928)	–	–	–	(424,928)	522,928	98,000
Distribution declared to the then equity shareholders**	–	–	–	–	(202,000)	(202,000)	–	(202,000)
Distribution declared to non-controlling shareholders**	–	–	–	–	–	–	(98,000)	(98,000)
As at 31 December 2017	–	910,919	–	188,133	231,807	1,330,859	655,586	1,986,445

* These reserve accounts represent the total consolidated reserves of RMB1,568,599,000 in the consolidated statements of financial position as at 31 December 2018 (at 31 December 2017: RMB1,330,859,000).

** Nanjing Hongyou Real Estate Co., Ltd., a subsidiary of the Group, declared dividend of RMB22,943,000 in 2018 (2017: RMB200,000,000). Nanjing Eastern Senior Living Health Industry Co., Ltd., a subsidiary of the Group, declared a dividend of RMB67,205,000 in 2018 (2017: nil).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,061,857	594,981
Adjustments for:			
Depreciation of items of property, plant and equipment	6, 13	4,556	2,490
Amortisation of prepaid land lease payments	6, 16	2,346	2,346
Amortisation of other intangible assets	6, 14	558	–
Gain on disposal of a joint venture		(4)	–
Investment income of business combinations achieved in stages	5	(292,672)	–
Share of profits of joint ventures and associates		(91,657)	(82,732)
Fair value gains on investment properties	6, 15	(14,803)	(21,028)
Changes in fair value of financial guarantee liabilities	30	(6,289)	25,156
Finance costs	7	254,007	177,021
Interest income	5	(22,561)	(30,833)
Share-based payments	27	82,600	–
(Increase)/decrease in properties under development and completed properties held for sale		(5,854,913)	1,998,951
Decrease in restricted cash		98,887	74,565
(Increase)/decrease in pledged deposits	24	(7,441)	24,245
Decrease in trade receivables		1,989	1,197
Decrease/(increase) in prepayments, deposits and other receivables		1,600,364	(389,317)
(Increase)/decrease in amounts due from related companies		(8,729)	216
Increase in trade and bills payables		1,237,087	306,745
Increase in other payables, deposits received and accruals		188,742	146,415
Decrease in contract liabilities		(740,899)	(2,155,850)
Increase in amounts due to related companies		6,373	17,259
Cash generated (used in)/from operations		(2,500,602)	691,827
Interest received	5	22,561	30,833
Interest paid		(509,758)	(336,225)
Tax paid		(263,274)	(336,076)
Net cash flows (used in)/from operating activities		(3,251,073)	50,359

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	(285,061)	(59,935)
Purchases of prepaid land lease payments	16	(154,192)	–
Purchase of other intangible assets	14	(6,922)	–
Additions in investment properties	15	(378,997)	(99,172)
Decrease of available-for-sale investments		321,008	109,492
Acquisition of subsidiaries	35	(378,760)	–
Disposal of subsidiaries	34	–	(2,300)
Disposal of a joint venture		1,000	–
Advances to third parties		(2,085,039)	(1,604,301)
Payment of advance to third parties		3,067,981	338,430
Advances to joint ventures and associates		(1,364,727)	(2,067,289)
Payment of advance to joint ventures and associates		2,773,872	563,879
Advance to related companies		(66,552)	(112,618)
Payment of advance to related companies		66,531	423,800
Investments in joint ventures and associates		(120,060)	(56,100)
Disposal of items of property, plant and equipment		65	–
Net cash flows from/(used in) investing activities		1,390,147	(2,566,114)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders of the subsidiaries		352,350	98,000
Capital contribution upon the Reorganisation		(100,137)	–
Acquisition of additional interests in subsidiaries		(521,528)	–
Dividends paid to the then equity shareholders		–	(202,000)
Distribution declared to non-controlling shareholders		(44,264)	(98,000)
Advance from third parties		3,760,838	615,145
Repayment of advance from third parties		(4,722,080)	(290,760)
Advances from related companies		6,150,024	7,245,445
Repayment of advances from related companies		(6,769,981)	(6,097,439)
Advance from joint ventures and associates		1,517,413	777,184
Repayment of advances from joint ventures and associates		(1,302,080)	(11,205)
Proceeds from interest-bearing bank and other borrowings		6,328,500	2,779,314
Repayment of interest-bearing bank and other borrowings		(2,370,250)	(1,494,983)
Net cash flows from financing activities		2,278,804	3,320,701

	Notes	2018 RMB'000	2017 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**417,878**	804,946
Cash and cash equivalents at beginning of year		**1,171,303**	366,357
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,589,181**	1,171,303
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**1,719,442**	1,309,928
Less: Restricted cash	24	**(122,820)**	(138,625)
Pledged deposits	24	**(7,441)**	–
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		**1,589,181**	1,171,303

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year ended 31 December 2018, the subsidiaries now comprising the Group were involved in property development and property investment.

The Company and its subsidiaries now comprising the Group underwent a reorganisation (the "Reorganisation") which was completed on 25 May 2018 as set out in the Prospectus of the Company dated 22 February 2019 (the "Prospectus").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 March 2019.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held:				
Yin Cheng Holding Limited	British Virgin Islands/ 16 January 2018	USD50,000	100%	Indirectly holding
Investment held				
銀嘉城控股有限公司 Yinjiacheng Holding Ltd.	Hong Kong of China/ 6 February 2018	HKD1	100%	Investment holding
南京銀港企業管理諮詢有限公司 Nanjing Yingang Business Management Co., Ltd. ("Nanjing Yingang")*	People's Republic of China ("PRC")/ Mainland China/ 21 March 2018	USD1,000,000	100%	Investment holding
南京銀城房地產開發有限公司 Nanjing Yincheng Real Estate Co., Ltd. **	PRC/Mainland China/ 24 September 2009	RMB100,100,100	100%	Property development
南京西城房地產開發有限公司 Nanjing Xicheng Real Estate Co., Ltd. **	PRC/Mainland China/ 1 August 2002	RMB20,000,000	100%	Property development
南京弘全房地產開發有限公司 Nanjing Hongquan Real Estate Co., Ltd. ("Nanjing Hongquan")** (Note (c))	PRC/Mainland China/ 15 January 2013	RMB98,567,555	100%	Property development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Investment held *(Continued)*				
南京弘佑房地產開發有限公司 Nanjing Hongyou Real Estate Co., Ltd. ("Nanjing Hongyou")** (Note (d))	PRC/Mainland China/ 15 January 2013	RMB236,756,621	100%	Property development
南京銀廣房地產開發有限公司 Nanjing Yinguang Real Estate Co., Ltd. **	PRC/Mainland China/ 18 April 2014	RMB200,000,000	100%	Property development
南京銀卓房地產開發有限公司 Nanjing Yinzhuo Real Estate Co., Ltd. **	PRC/Mainland China/ 21 April 2014	RMB210,000,000	100%	Property development
南京易城房地產開發有限公司 Nanjing Yicheng Real Estate Co., Ltd. ("Nanjing Yicheng") ** (Note (e))	PRC/Mainland China/ 25 November 2014	RMB50,000,000	100%	Property development
南京東方頤年健康產業發展有限公司 Nanjing Eastern Senior Living Health Industry Co., Ltd. ("Nanjing Eastern Senior Living") ***(Note (f))	PRC/Mainland China/ 25 March 2015	RMB964,000,000	75%	Property development
南京銀瀾企業管理有限公司 Nanjing Yinlan Management Co., Ltd. **	PRC/Mainland China/ 25 September 2014	RMB2,000,000	100%	Investment holding
南京馬會置業有限公司 Nanjing Mahui Real Estate Co., Ltd. ("Nanjing Mahui") ** (Note (g))	PRC/Mainland China/ 19 June 2004	RMB286,000,000	100%	Property development
南京佳運城房地產開發有限公司 Nanjing Jiayun City Real Estate Co., Ltd. ***	PRC/Mainland China/ 29 September 2016	RMB100,000,000	51%	Property development
南京九城興房地產開發有限公司 Nanjing Jiuchengxing Real Estate Co., Ltd. ("Nanjing Jiuchengxing") *** (Note (a))	PRC/Mainland China/ 29 September 2016	RMB100,000,000	50%	Property development
南京銀嘉豐企業管理有限公司 Nanjing Yinjiafeng Enterprise Management Co., Ltd. **	PRC/Mainland China/ 14 October 2016	RMB1,000,000	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Investment held *(Continued)*				
南京銀嘉錦企業管理有限公司 Nanjing Yinjiajin Enterprise Management Co., Ltd. **	PRC/Mainland China/ 14 October 2016	RMB1,000,000	100%	Investment holding
南京銀嘉澤企業管理有限公司 Nanjing Yinjiaze Enterprise Management Co., Ltd. **	PRC/Mainland China/ 14 October 2016	RMB1,000,000	100%	Investment holding
南京銀嘉湛企業管理有限公司 Nanjing Yinjiazhan Enterprise Management Co., Ltd. ** ("Nanjing Yinjiazhan ")	PRC/Mainland China/ 14 October 2016	RMB51,000,000	100%	Investment holding
南京銀嘉涵企業管理有限公司 Nanjing Yinjiahan Enterprise Management Co., Ltd. **	PRC/Mainland China/ 17 November 2016	RMB1,000,000	100%	Investment holding
南京銀嘉瀚企業管理有限公司 Nanjing Yinjiahan Enterprise Management Co., Ltd. **	PRC/Mainland China/ 17 November 2016	RMB1,000,000	100%	Investment holding
南京銀嘉潤企業管理有限公司 Nanjing Yinjiarun Enterprise Management Co., Ltd. ***	PRC/Mainland China/ 22 November 2016	RMB1,010,000	99%	Investment holding
南京銀嘉瀾企業管理有限公司 Nanjing Yinjialan Enterprise Management Co., Ltd. ** ("Nanjing Yinjialan ") (Note (b))	PRC/Mainland China/ 22 November 2016	RMB20,000,000	100%	Investment holding
南京銀澤企業管理有限公司 Nanjing Yinze Enterprise Management Co., Ltd. **	PRC/Mainland China/ 27 December 2016	RMB100,000	100%	Investment holding
南京銀嘉源企業管理有限公司 Nanjing Yinjiayuan Enterprise Management Co., Ltd. **	PRC/Mainland China/ 15 May 2017	RMB1,010,000	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Investment held *(Continued)*				
南京銀嘉瀛企業管理有限公司 Nanjing Yinjiaying Enterprise Management Co., Ltd. ***	PRC/Mainland China/ 15 September 2017	RMB1,010,000	99%	Investment holding
南京銀嘉淳企業管理有限公司 Nanjing Yinjiachun Enterprise Management Co., Ltd. ***	PRC/Mainland China/ 12 September 2017	RMB1,010,000	99%	Investment holding
無錫世紀花園房地產開發有限公司 Wuxi Century Garden Real Estate Co., Ltd. **	PRC/Mainland China/ 14 March 2007	RMB420,000,000	100%	Property development
蘇州銀澤房地產開發有限公司 Suzhou Yinze Real Estate Co., Ltd. ("Suzhou Yinze") ***(Note (h))	PRC/Mainland China/ 4 July 2017	RMB200,000,000	70%	Property development
無錫銀澤潤企業管理有限公司 Wuxi Yinzerun Enterprise Management Co., Ltd. **	PRC/Mainland China/ 31 July 2017	RMB1,000,000	100%	Investment holding
融創（江蘇）置業有限公司 SUNAC (Jiangsu) Real Estate Co., Ltd. ("SUNAC Real Estate ") *** (Note (a))	PRC/Mainland China/ 24 May 2017	RMB300,000,000	50%	Property development
南京銀嘉聚企業管理有限公司 Nanjing Yinjiaju Enterprise Management Co., Ltd. **	PRC/Mainland China/ 2 December 2016	RMB10,000,000	100%	Investment holding
南京銀嘉匯企業管理有限公司 Nanjing Yinjiahui Enterprise Management Co., Ltd. **	PRC/Mainland China/ 22 November 2016	RMB1,000,000	100%	Investment holding
南京昌拓房地產有限公司 Nanjing Changtuo Real Estate Co., Ltd. ("Nanjing Changtuo")***(Note (a))	PRC/Mainland China/ 5 January 2018	RMB20,000,000	50%	Property development
無錫億豐置業有限公司 Wuxi Yifeng Real Estate. Co., Ltd. ("Wuxi Yifeng") *** (Note (a))	PRC/Mainland China/ 12 October 2011	RMB160,000,000	35%	Property development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Investment held *(Continued)*				
合肥銀城房地產開發有限公司 Hefei Yincheng Real Estate Co., Ltd. **	PRC/Mainland China/ 11 April 2018	RMB100,000,000	100%	Property development
合肥銀贊泓企業管理有限公司 Hefei Yinzanhong Enterprise Management Co., Ltd. **	PRC/Mainland China/ 29 May 2018	RMB1,000,000	100%	Investment holding
合肥銀智瀘企業管理有限公司 Hefei Yinzhilu Enterprise Management Co., Ltd.**	PRC/Mainland China/ 29 May2018	RMB1,000,000	100%	Investment holding
南京銀嘉瀕企業管理有限公司 Nanjing Yinjiabin Enterprise Management Co., Ltd. **	PRC/Mainland China/ 22 January 2018	RMB1,000,000	100%	Investment holding
南京銀嘉渤企業管理有限公司 Nanjing Yinjiabo Enterprise Management Co., Ltd. **	PRC/Mainland China/ 22 January 2018	RMB1,000,000	100%	Investment holding
南京銀嘉測企業管理有限公司 Nanjing Yinjiace Enterprise Management Co., Ltd. **	PRC/Mainland China/ 22 January 2018	RMB1,000,000	100%	Investment holding
南京銀嘉津企業管理有限公司 Nanjing Yinjiajin Enterprise Management Co., Ltd. **	PRC/Mainland China/ 22 January 2018	RMB1,000,000	100%	Investment holding
南京銀嘉瀝企業管理有限公司 Nanjing Yinjiali Enterprise Management Co., Ltd. **	PRC/Mainland China/ 22 January 2018	RMB1,000,000	100%	Investment holding
南京銀嘉浦企業管理有限公司 Nanjing Yinjiapu Enterprise Management Co., Ltd. **	PRC/Mainland China/ 22 January 2018	RMB1,000,000	100%	Investment holding
南京銀嘉淇企業管理有限公司 Nanjing Yinjiaqi Enterprise Management Co., Ltd. **	PRC/Mainland China/ 22 January 2018	RMB1,000,000	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Investment held *(Continued)*				
南京銀嘉淞企業管理有限公司 Nanjing Yinjiasong Enterprise Management Co., Ltd. **	PRC/Mainland China/ 21 May 2018	RMB1,000,000	100%	Investment holding
南京銀嘉涎企業管理有限公司 Nanjing Yinjiaxian Enterprise Management Co., Ltd. **	PRC/Mainland China/ 22 January 2018	RMB1,000,000	100%	Investment holding
南京銀嘉渪企業管理有限公司 Nanjing Yinjiayu Enterprise Management Co., Ltd. **	PRC/Mainland China/ 22 January 2018	RMB1,000,000	100%	Investment holding
無錫銀城房地產開發有限公司 Wuxi Yincheng Real Estate Co., Ltd. **	PRC/Mainland China/ 1 August 2005	RMB600,000,000	100%	Property development
南京銀嘉淵企業管理有限公司 Nanjing Yinjiayuan Enterprise Management Co., Ltd. **	PRC/Mainland China/ 1 February 2018	RMB1,000,000	100%	Investment holding
南京銀嘉浈企業管理有限公司 Nanjing Yinjiazhen Enterprise Management Co., Ltd. **	PRC/Mainland China/ 21 May 2018	RMB1,000,000	100%	Investment holding
南京銀科企業管理有限公司 Nanjing Yinke Enterprise Management Co., Ltd. **	PRC/Mainland China/ 15 May 2018	RMB50,000,000	100%	Investment holding
無錫銀澤辰企業管理有限公司 Wuxi Yinzechen Enterprise Management Co., Ltd. **	PRC/Mainland China/ 14 March 2018	RMB1,000,000	100%	Investment holding
無錫銀澤瀚企業管理有限公司 Wuxi Yinzehan Enterprise Management Co., Ltd. **	PRC/Mainland China/ 28 March 2018	RMB1,000,000	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Investment held *(Continued)*				
無錫銀澤瀾企業管理有限公司 Wuxi Yinzelan Enterprise Management Co., Ltd. **	PRC/Mainland China/ 14 March 2018	RMB1,000,000	100%	Investment holding
無錫銀澤鑫企業管理有限公司 Wuxi Yinzexin Enterprise Management Co., Ltd. **	PRC/Mainland China/ 29 March 2018	RMB1,000,000	100%	Investment holding
徐州長順置業有限公司 Xuzhou Changshun Real Estate Co., Ltd. **	PRC/Mainland China/ 24 February 2014	RMB20,000,000	100%	Property development
浙江銀澤房地產有限責任公司 Zhejiang Yinze Real Estate Co., Ltd. **	PRC/Mainland China/ 14 May 2018	RMB100,000,000	100%	Property development
鎮江恒潤房地產開發有限公司 Zhenjiang Hengrun Real Estate Co., Ltd. ("Zhenjiang Hengrun") *** (Note (a))	PRC/Mainland China/ 9 April 2018	RMB105,000,000	33%	Property development
杭州銀弘實業有限責任公司 Hangzhou Yinhong Industrial Co., Ltd. **	PRC/Mainland China/ 11 February 2018	RMB300,000,000	100%	Property development
南京空港會展投資管理有限公司 Nanjing Airport Exhibition Investment Management Co., Ltd. ("Nanjing Airport Exhibition ") ***(Note (a))	PRC/Mainland China/ 18 August 2017	RMB200,000,000	49%	Property development
馬鞍山順碧房地產開發有限公司 Ma'anshan Shunbi Real Estate Co., Ltd. ("Ma'anshan Shunbi ") ***(Note (a))	PRC/Mainland China/ 21 December 2017	RMB30,003,000	33%	Property development
南京銀匠工程諮詢有限公司 Nanjing Yinjiang Engineering Consulting Co., Ltd. **	PRC/Mainland China/ 21 August 2018	RMB1,000,000	100%	Consulting

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Investment held *(Continued)*				
江陰銀澤房地產開發有限公司 Jiang Yin Yinze Real Estate Co., Ltd. **	PRC/Mainland China/ 24 October 2018	RMB100,000,000	100%	Property development
徐州銀城房地產開發有限公司 Xuzhou Yincheng Real Estate Co., Ltd. **	PRC/Mainland China/ 3 August 2018	RMB100,000,000	100%	Property development

* Nanjing Yingang is registered as a wholly-foreign-owned enterprise under PRC law.

** These companies are wholly-owned subsidiaries of the Company.

*** These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

The English names of all group companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of these companies as they do not have official English names.

The statutory financial statements of the above subsidiaries established in the PRC prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC, were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Note (a): Nanjing Changtuo, Wuxi Yifeng, Nanjing Jiuchengxing, Zhenjiang Hengrun and Ma'anshan Shunbi are accounted for as subsidiaries of the Group mainly because the Group owns 51% of the voting rights according to the articles of association and the supplemental agreement regarding voting arrangement entered into between the shareholders, through which the Group has rights to variable returns from its involvement with these entities and has the ability to affect those returns through its power over these entities.

SUNAC Real Estate and Nanjing Airport Exhibition are accounted for as subsidiaries of the Group mainly because the Group owns 100% of the voting rights according to the supplemental agreement regarding voting arrangement entered into between the shareholders of SUNAC Real Estate and Nanjing Airport Exhibition, through which the Group has rights to variable returns from its involvement with these entities and has the ability to affect those returns through its power over these entities.

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Note (b): The percentage of attributable equity interests presented is the percentage of beneficiary interests held by the Group. The equity interests in this entity legally held by the Group are lower than the beneficiary interests because of the existence of the trust financing arrangement.

The Group legally transferred the equity interests in the following subsidiary as collateral to a trust financing company as at 31 December 2018.

	Percentage of equity pledged as at 31 December 2018
Nanjing Yinjialan	67%

Under the aforementioned arrangement, the Group was obliged to repurchase the equity interests at a fixed amount on a future date upon repayment of the borrowings from the trust financing company.

Note (c): The Group had a 26.01% equity interest in Nanjing Hongquan as at 31 December 2017, and Nanjing Hongquan was accounted for an associate of the Group. On 2 May 2018, the Group acquired another 73.99% equity interest in Nanjing Hongquan from the other two shareholders, after which the Group owned 100% equity interest of it. Further details of this acquisition are included in note 35 to the financial statements.

Note (d): The Group had a 51% equity interest in Nanjing Hongyou as at 31 December 2017. On 28 May 2018, the Group acquired another 49% equity interest in Nanjing Hongyou from the other shareholder, after which the Group owned 100% equity interest in it.

Note (e): The Group had a 40% equity interest in Nanjing Yicheng as at 31 December 2017, and Nanjing Yicheng was accounted for an associate of the Group. On 2 May 2018, the Group acquired another 60% equity interest in Nanjing Yicheng from the other two shareholders, after which the Group owned 100% equity interest in it. Further details of this acquisition are included in note 35 to the financial statements.

Note (f): The Group has a 50.83% equity interest in Nanjing Eastern Senior Living as at 31 December 2017. On 28 May 2018, the Group acquired another 24.17% equity interest in Nanjing Eastern Senior Living from the other two shareholders, after which the Group owned 75% equity interest in it.

Note (g): The Group had a 48.35% equity interest in Nanjing Mahui as at 31 December 2017, and Nanjing Mahui was accounted for an associate of the Group. On 2 May 2018, the Group acquired another 51.65% equity interest in Nanjing Mahui from the other two shareholders, after which the Group owned 100% equity interest in it. Further details of this acquisition are included in note 35 to the financial statements.

Note (h): The Group had a 51% equity interest in Suzhou Yinze as at 31 December 2017. On 5 June 2018, the Group acquired another 19% equity interest in Suzhou Yinze from the other shareholder, after which the Group owned 70% equity interest in it.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, (which include all standards and interpretations approved by the IASB, and International Accounting Standards ("IASs"), Standing Interpretations Committee interpretations) approved by the IASB that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.1 BASIS OF PREPARATION *(Continued)*

The Group has applied IFRS 9, which is effective for annual periods beginning on or after 1 January 2018. The Group has not restated the financial information from 1 January 2017 to 31 December 2017 for financial instruments in the scope of IFRS 9. The financial information from 1 January 2017 to 31 December 2017 is reported under International Accounting Standard 39 ("IAS 39") and is not comparable to the information presented for 2018. Based on evaluation, the directors of the Company are of the opinion that the differences arising from the adoption of IFRS 9 are considered immaterial.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as explained below regarding the impact of IFRS 9 and IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

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

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

Classification and measurement

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

In RMB'000	IAS 39 measurement			Remeasurement	IFRS 9 measurement	
Financial assets	Category	Amount	Reclassification	ECL	Amount	Category
Due from related companies	L&R*	2,584,977	–	–	2,584,977	AC**
Trade receivables	L&R	1,992	–	–	1,992	AC
Financial assets included in prepayments, deposits and other receivables	L&R	1,553,419	–	–	1,553,419	AC
Restricted cash	L&R	138,625	–	–	138,625	AC
Cash and cash equivalents	L&R	1,171,303	–	–	1,171,303	AC
		5,450,316	–	–	5,450,316	

In RMB'000	IAS 39 measurement			Remeasurement	IFRS 9 measurement	
Financial assets	Category	Amount	Reclassification	ECL	Amount	Category
Financial investments — AFS		321,008	(321,008)		N/A	
To: Financial assets at FVTPL			*(321,008)*			
	AFS	321,008	(321,008)		N/A	
Financial assets at FVTPL		N/A	314,002	–	314,002	FVTPL (mandatory)
Financial assets at FVTPL		N/A	7,006	–	7,006	FVTPL (designated)
From: Financial investments — AFS			*321,008*		*321,008*	
		N/A	321,008		321,008	FVTPL
Trade and bills payables	AC	917,403	–	–	917,403	AC
Financial liabilities included in other payables, deposits received and accruals	AC	1,176,863	–	–	1,176,863	AC
Due to related companies	AC	2,013,667	–	–	2,013,667	AC
Financial guarantee contracts		25,156	–	–	25,156	
Interest-bearing bank and other borrowings	AC	5,660,097	–	–	5,660,097	AC
		9,793,186	–	–	9,793,186	

* L&R: Loans and receivables

** AC: Amortised cost

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

There was no significant impact from replacing the aggregate opening loan loss provision allowances under IAS 39 with ECL allowances under IFRS 9 on financial instruments as at 1 January 2018.

Besides, IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*, which are effective for annual periods beginning on or after 1 January 2018, have been early adopted by the Company. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. Early adoption of IFRS 15 and its amendments is permitted.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to adopt them, if applicable, when they become effective.

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

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

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40 Investment Property or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosure than IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at 31 December 2018 were RMB11,083,000, with the minimum lease payments due less than one year amounting to RMB6,095,000 and those due more than one year, less than five years amounting to RMB4,993,000. Given that the Group had total assets of RMB25,539,575,000 and total liabilities of RMB23,129,276,000 as at 31 December 2018, the director of the Group anticipates that the first adoption of IFRS 16 will have no material impact on the Group's financial position and financial performance.

Except as described above, the management of the Group anticipates that the application of the new and revised IFRSs will have no material impact on the Group's financial position and financial performance in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in an associate and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and the annual depreciation rates are as follows:

Motor vehicles	24%
Office equipment and electronic devices	19%–32%
Leasehold improvements	Over the shorter of the lease terms and 20%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each reporting period. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise, including the corresponding tax effect. Fair value is determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in profit or loss in the year of derecognition.

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

Properties under development

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

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

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

Completed properties held for sale

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

Allocation of property development cost

Land costs are allocated to each unit according to its saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Prepaid land lease payments

All land in the PRC is state-owned or collectively-owned. There is no individual land ownership right. The Group acquired the right to use certain land. The premiums paid for such right and the improvements related to the land are treated as prepayment for operating lease and recorded as prepaid land lease payment, which are amortised over the lease periods using the straight-line method.

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

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale ("AFS") financial assets. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

Subsequent measurement

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

— Loans and receivables

— AFS financial assets

Loans and receivables

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

AFS financial assets

AFS financial assets include debt securities. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

AFS financial assets *(Continued)*

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

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

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

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Available-for-sale financial investments

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

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

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

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statements of profit or loss and other comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statements of profit or loss and other comprehensive income if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statements of profit or loss and other comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

The Group's financial assets at amortised cost includes trade receivables, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial assets at fair value through profit or loss

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

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

Impairment

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of financial liabilities not at fair value through profit or loss, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(i) *Loans and borrowings*

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

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

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

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

(iii) *Financial guarantee contracts (policies under IAS 39 applicable before 1 January 2018)*

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash and cash equivalents

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

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

Government grants

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Group's activities. Revenue is shown, net of taxes.

Sales of properties

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Sales of properties *(Continued)*

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

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

Rental income

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

Interest income

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

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established.

Contract liabilities

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

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 27.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled transactions *(Continued)*

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

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

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Other employee retirement benefits

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The financial statements are presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in Mainland China. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and completed properties held for sale

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Provision of properties under development and completed properties held for sale

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

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

PRC corporate income tax ("CIT")

The Group is subject to corporate income tax in the PRC. As a result of the fact that certain matters relating to the income tax have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for the income tax to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

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

Impairment of non-financial assets (other than goodwill)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimate of fair value of investment properties

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

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amount of investment properties at 31 December 2018 was RMB811,900,000 (2017: RMB418,100,000). Further details, including the key assumptions used for fair value measurement, are given in note 15 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 19 to the financial statements.

Share-based payment

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development and leasing by project locations for the purpose of making decisions about resource allocation and performance assessment. As all the locations have similar economic characteristics and are similar in the nature of property development and leasing, the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services, thus all locations were aggregated as one reportable operating segment.

Geographical information

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

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year ended 31 December 2018.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of properties and rental income during the reporting year.

An analysis of revenue, other income and gains is as follows:

	2018 RMB'000	2017 RMB'000
Revenue		
Sale of properties	**5,067,075**	4,668,966
Rental income	**3,019**	6,678
	5,070,094	4,675,644

	2018 RMB'000	2017 RMB'000
Represented by:		
Revenue from sale of properties:		
Recognised at a point in time	**5,067,075**	4,668,966
Revenue from other sources:		
Property lease income	**3,019**	6,678
	5,070,094	4,675,644
Other income and gains		
Government grants	**124**	3,007
Interest income	**22,561**	30,833
Forfeiture of deposits	**1,203**	1,155
Project management income	**6,851**	–
Investment income on business combination achieved in steps	**292,672**	–
Others	**658**	507
	324,069	35,502

6. PROFIT BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of inventories sold	22	**3,598,812**	3,890,650
Rental costs		**1,231**	1,467
Depreciation of items of property, plant and equipment	13	**4,556**	2,490
Amortisation of prepaid land lease payments	16	**2,346**	2,346
Amortisation of other intangible assets	14	**558**	–
Rental expenses		**6,067**	4,959
Listing fee		**26,601**	–
Auditors' remuneration		**2,000**	770
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**126,927**	35,288
Pension scheme contributions and social welfare		**21,829**	6,709
Fair value gains on investment properties	15	**(14,803)**	(21,028)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings	**537,255**	348,338
Interest on pre-sales deposits	**166,629**	168,116
Less: Interest capitalised	**(449,877)**	(339,433)
	254,007	177,021

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2018 RMB'000	2017 RMB'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	5,985	5,307
Performance-related bonuses*	2,233	1,240
Pension scheme contributions and social welfare	578	527
Share-based payment	65,005	–
	73,801	7,074

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

(a) Independent non-executive directors

Mr. Lam Ming Fai, Mr. Chan Peng Kuan and Mr. Chen Shi Min were appointed as independent non-executive directors of the Company on 18 February 2019. There was no emolument payable to the independent non-executive directors during the year.

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Share-based payment RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
2018						
Executive directors:						
— Mr. Ma Bao Hua	–	982	420	37,087	102	38,591
— Mr. Zhu Li	–	1,052	420	–	102	1,574
— Mr. Wang Zheng	–	720	420	13,959	102	15,201
— Ms. Shao Lei	–	739	420	13,959	102	15,220
	–	3,493	1,680	65,005	408	70,586
Non-executive directors:						
— Mr. Huang Qing Ping	–	1,938	133	–	68	2,139
— Mr. Xie Chen Guang	–	554	420	–	102	1,076
	–	2,492	553	–	170	3,215
	–	5,985	2,233	65,005	578	73,801
2017						
Executive directors:						
— Mr. Ma Bao Hua	–	882	420	–	93	1,395
— Mr. Zhu Li	–	874	–	–	93	967
— Mr. Wang Zheng	–	631	–	–	93	724
— Ms. Shao Lei	–	581	400	–	93	1,074
	–	2,968	820	–	372	4,160
Non-executive directors:						
— Mr. Huang Qing Ping	–	1,474	420	–	62	1,956
— Mr. Xie Chen Guang	–	865	–	–	93	958
	–	2,339	420	–	155	2,914
	–	5,307	1,240	–	527	7,074

Mr. Ma Bao Hua is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2018 included four directors (2017: four directors). Details of those directors' remuneration are set out in note 8 above. Details of the remuneration for the year ended 31 December 2018, which is one (2017: one), of the highest paid employees who are neither a director nor chief executive of the Company, respectively, are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	671	872
Performance-related bonuses	420	–
Share-based payment	17,595	–
Pension and social welfare	102	93
	18,788	965

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

	Number of employees	
	2018	2017
HK$1,000,001 to HK$1,500,000	–	1
HK$21,000,001 to HK$21,500,000	1	–
	1	1

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2018.

Subsidiaries of the Group operating in Mainland China are subject to PRC corporate income tax rate at a of 25% for the year.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

10. INCOME TAX *(Continued)*

	2018 RMB'000	2017 RMB'000
Current tax:		
PRC corporate income tax	**263,786**	131,987
PRC LAT	**304,030**	78,542
Deferred tax (note 19)	**(1,281)**	(6,157)
Total tax charge for the year	**566,535**	204,372

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

	2018 RMB'000	2017 RMB'000
Profit before tax	**1,061,857**	594,981
At the statutory income tax rate	**265,464**	148,745
Profits attributable to joint ventures and associates	**(22,914)**	(20,683)
Investment income recognised in acquisition of subsidiaries	**(73,168)**	–
Expenses not deductible for tax	**24,853**	2,943
Deductible temporary differences not recognised	**6,156**	1,048
Withholding taxes on undistributed profits of the subsidiaries in the PRC	**27,984**	–
Tax losses not recognised	**110,138**	13,412
Provision for LAT	**304,030**	78,542
Tax effect on LAT	**(76,008)**	(19,635)
Tax charge at the Group's effective rate	**566,535**	204,372

Tax payable in the consolidated statement of financial position represents:

	31 December 2018 RMB'000	31 December 2017 RMB'000
PRC corporate income tax payable	**118,338**	67,240
PRC LAT payable	**385,808**	175,246
Total tax payable	**504,146**	242,486

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

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

	2018 RMB
Earnings	
Profit attributable to ordinary equity holders of the Company	
Basic and diluted earnings per share*	0.47

* The Company was incorporated on 8 January 2018. Therefore, directors are of the opinion that the earnings per share for the year ended 31 December 2017 is not applicable in this annual consolidated financial information.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of shares in issue during the year as follows:

The calculation of basic earnings per share is based on:

	2018 RMB'000
Profit attributable to ordinary equity holders of the Company	442,440

The calculation of weighted average number of ordinary shares of approximately 947,280,356 comprises the weighted average number of shares issued during the year ended 31 December 2018 and approximately 1,058,534,993 ordinary shares issued pursuant to the capitalization issue after the reporting period.

	2018 (approximately)	2017 (approximately)
Issue of shares on 8 January 2018	3,296,327	–
Issue of shares on 29 May 2018	954,818	–
Effect of capitalisation issue	1,058,534,993	–
Weighted average number of ordinary shares	947,280,356	–

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2018 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the year.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018					
At 1 January 2018:					
Cost	4,296	5,441	8,211	79,271	97,219
Accumulated depreciation	(4,242)	(5,131)	(5,709)	–	(15,082)
Net carrying amount	54	310	2,502	79,271	82,137
At 1 January 2018, net of accumulated depreciation	54	310	2,502	79,271	82,137
Additions	2,334	5,507	3,770	273,450	285,061
Acquisition of subsidiaries	–	65	–	65	
Disposals	(20)	(45)	–	–	(65)
Depreciation provided during the year	(818)	(1,040)	(2,698)	–	(4,556)
At 31 December 2018, net of accumulated depreciation	1,550	4,732	3,639	352,721	362,642
At 31 December 2018:					
Cost	6,610	10,903	12,046	352,721	382,280
Accumulated depreciation	(5,060)	(6,171)	(8,407)	–	(19,638)
Net carrying amount	1,550	4,732	3,639	352,721	362,642

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017					
At 1 January 2017:					
Cost	4,296	5,317	8,211	19,460	37,284
Accumulated depreciation	(1,369)	(4,806)	(4,145)	–	(10,320)
Net carrying amount	2,927	511	4,066	19,460	26,964
At 1 January 2017, net of accumulated depreciation	2,927	511	4,066	19,460	26,964
Additions	–	124	–	59,811	59,935
Disposals	(2,016)	(158)	(98)	–	(2,272)
Depreciation provided during the year	(857)	(167)	(1,466)	–	(2,490)
At 31 December 2017, net of accumulated depreciation	54	310	2,502	79,271	82,137
At 31 December 2017:					
Cost	4,296	5,441	8,211	79,271	97,219
Accumulated depreciation	(4,242)	(5,131)	(5,709)	–	(15,082)
Net carrying amount	54	310	2,502	79,271	82,137

There were no property, plant and equipment being pledged as at 31 December 2018 and 31 December 2017.

The amount of borrowing costs capitalised during the years ended 31 December 2018 was RMB21,002,000 (31 December 2017: RMB19,459,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 9%, which was the EIR of the specific borrowings.

14. INTANGIBLE ASSETS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Software		
At the beginning of the year:		
Cost		
Accumulated amortisation	–	–
Net carrying amount	–	–
Carrying amount at the beginning of the year	–	–
Additions	6,922	–
Amortisation provided during the year	(558)	–
Carrying amount at the end of the year	6,364	–
At the end of the year:		
Cost	6,922	–
Accumulated amortisation	(558)	–
Net carrying amount	6,364	–

15. INVESTMENT PROPERTIES

	Under construction RMB'000	Completed RMB'000	Total RMB'000
Carrying amount at 1 January 2017	262,400	87,700	350,100
Additions	99,172	–	99,172
Disposal of a subsidiary	–	(52,200)	(52,200)
Net gain from a fair value adjustment	19,328	1,700	21,028
Carrying amount at 31 December 2017 and 1 January 2018	380,900	37,200	418,100
Additions	378,997	–	378,997
Investment properties under construction transferred to investment properties completed	(774,400)	774,400	–
Net gain from a fair value adjustment	14,503	300	14,803
Carrying amount at 31 December 2018	–	811,900	811,900

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 31 December 2018 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB811,900,000 (2017: RMB418,100,000). The Group's senior finance manager and the chief financial officer decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Certain of the Group's investment properties with an aggregate carrying amount of approximately RMB211,182,000 at 31 December 2018 (31 December 2017: RMB196,596,000) have been pledged to secure bank and other borrowings granted to the Group which are disclosed in note 29.

	Fair value measurement as at 31 December 2018 using			
Recurring fair value measurement for	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment properties				
Completed	–	–	811,900	811,900
	–	–	811,900	811,900

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: nil).

15. INVESTMENT PROPERTIES *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2018	2017
Completed commercial properties	Income capitalisation method	Estimated rental value (RMB per sq.m. and per month)	**RMB64–81**	RMB70–79
		Capitalisation rate	**5.0%–5.5%**	5.5%
Commercial properties under construction	Comparison method	Expected profit margin	**15%**	15%

The fair value of completed commercial properties is determined by the income capitalisation method by taking into account the net rental income of the properties derived from the 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. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined by using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the property assuming it was completed and, where appropriate, after deducting the following items:

- Estimated construction costs and professional fees to be expensed to complete the properties that would be incurred by a market participant; and

- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated construction costs would result in the lower the fair value of the investment properties under construction.

16. PREPAID LAND LEASE PAYMENTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Carrying amount at 1 January	112,024	114,370
Additions	154,192	–
Amortisation	(2,346)	(2,346)
Carrying amount at 31 December	263,870	112,024
Less: Current portion	(5,440)	(2,346)
Non-current portion	258,430	109,678

Certain of the Group's prepaid land lease payments with an aggregate carrying amount of approximately RMB109,678,000 as at 31 December 2018 (31 December 2017: RMB112,024,000) have been pledged to secure bank and other borrowings granted to the Group which are disclosed in note 29.

17. INVESTMENTS IN JOINT VENTURES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	103,739	124,328

The Group's trade receivable and payable balances with joint ventures are disclosed in note 40 to the financial statements.

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

(a) Particulars of the Group's joint ventures are as follows:

2018

Name	Paid-in capital RMB'000	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
南京九城興房地產開發有限公司 Nanjing Jiuchengxing Real Estate Co., Ltd. ("Nanjing Jiuchengxing")	100,000	PRC/ Nanjing China 2016	50% (note a)	51%	50%	Property development
南京佳佑城房地產開發有限公司 Nanjing Jiayou City Real Estate Co., Ltd. ("Nanjing Jiayou City")	100,000	PRC/Nanjing China 2017	50% (note b)	50%	50%	Property development
無錫天弘利信房地產諮詢有限公司 Wuxi Tianhonglixin Property Consulting Co., Ltd. ("Wuxi Tianhonglixin")	10,000	PRC/Wuxi China 2016	65% (note c)	65%	65%	Property development
新城房地產開發（無錫）有限公司 Xincheng Real Estate (Wuxi) Co., Ltd. ("Xincheng Real Estate")	93,000	PRC/Wuxi China 2005	65% (note c)	65%	65%	Property development
蘇州恆萬置地有限公司 Suzhou Hengwan Land Co., Ltd. ("Suzhou Hengwan")	180,000	PRC/Suzhou China 2017	16.7% (note d)	16.7%	16.7%	Property development
蘇州立泰置業有限公司 Suzhou Litai Real Estate Co., Ltd. ("Suzhou Litai")	100,000	PRC/Suzhou China 2018	20.01% (note e)	20.01%	20.01%	Property development
南京銀嘉泓企業管理有限公司 Nanjing Yinjiahong Enterprise Management Co., Ltd. ("Nanjing Yinjiahong")	100,000	PRC/Nanjing China 2017	51% (note f)	51%	51%	Investment holding

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

(a) Particulars of the Group's joint ventures are as follows: *(Continued)*

2017

Name	Paid-in capital RMB'000	Place of registration and business	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Nanjing Jiuchengxing	100,000	PRC/2016 Nanjing	50% (note a)	50%	50%	Property development
Nanjing Jiayou City	100,000	PRC/2017 Nanjing	51% (note b)	51%	51%	Property development
Wuxi Tianhonglixin	10,000	PRC/2016 Wuxi	65% (note c)	65%	65%	Property development
Xincheng Real Estate	93,000	PRC/2005 Wuxi	65% (note c)	65%	65%	Property development
Suzhou Hengwan	180,000	PRC/2017 Suzhou	16.7% (note d)	16.7%	16.7%	Property development
Nanjing Yinjiahong	100,000	PRC/2017 Nanjing	51% (note f)	51%	51%	Investment holding

Note a: Pursuant to the revised articles of association of Nanjing Jiuchengxing dated 21 March 2018, the Group gained additional 1% voting rights in Nanjing Jiuchengxing, and accordingly, Nanjing Jiuchengxing is accounted for as a subsidiary by virtue of the Group's control over it as at 31 December 2018.

Note b: Pursuant to the share transfer agreement dated 10 March 2018, the Group disposed of its 1% equity interest in Nanjing Jiayou City to the other joint venture partner for a consideration of RMB1,000,000.

Note c: As at 31 December 2018 and 2017, Wuxi Tianhonglixin had two shareholders holding 65% and 35% equity interests, respectively. Pursuant to the articles of association of Wuxi Tianhonglixin, all shareholder resolutions of Wuxi Tianhonglixin shall be resolved by two thirds of voting rights. In light of this requirement, Wuxi Tianhonglixin are accounted for as a joint venture of the Company notwithstanding that the Company held 65% equity interest as at 31 December 2018. Xincheng Real Estate is the subsidiary of Wuxi Tianhonglixin.

Note d: As at 31 December 2018 and 2017, Suzhou Hengwan had six shareholders holding 16.70%, 16.66%, 16.66%, 16.66%, 16.66% and 16.66% equity interests, respectively. Pursuant to the articles of association of Suzhou Hengwan, all shareholder resolutions of Suzhou Hengwan shall be resolved by the six shareholders on an unanimous basis. In light of this requirement, Suzhou Hengwan is accounted for as a joint venture of the Company notwithstanding that the Company held a 16.67% equity interest as at 31 December 2018.

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

(a) Particulars of the Group's joint ventures are as follows: *(Continued)*

2017 *(Continued)*

Note e: As at 31 December 2018 and 2017, Suzhou Litai had five shareholders holding 20.01%, 20%, 20%, 20% and 19.99% equity interests, respectively. Pursuant to the articles of association of Suzhou Litai, all shareholder resolutions of Suzhou Litai shall be resolved by the five shareholders on an unanimous basis. In light of this requirement, Suzhou Litai is accounted for as a joint venture of the Company notwithstanding that the Company held a 20.01% equity interest as at 31 December 2018.

Note f: As at 31 December 2018 and 2017, Nanjing Yinjiahong had two shareholders holding 51% and 49% equity interests, respectively. Pursuant to the articles of association of Nanjing Yinjiahong, all shareholder resolutions of Nanjing Yinjiahong shall be resolved by the two shareholders on an unanimous basis. In light of this requirement, Nanjing Yinjiahong is accounted for as a joint venture of the Company notwithstanding that the Company held a 51% equity interest as at 31 December 2018.

(b) Nanjing Jiuchengxing, which is considered a material joint venture of the Group for the year ended 31 December 2017, co-develops a property development project with the other joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Nanjing Jiuchengxing adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	31 December 2017 RMB'000
Cash and cash equivalents	1,719
Other current assets	1,820,023
Total current assets	1,821,742
Non-current assets	–
Current liabilities	(721,921)
Non-current liabilities	(1,000,000)
Net assets	99,821
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	50%
Group's share of net assets of the joint venture	49,911
	49,911
Revenue	39
Expenses	(225)
Tax	–
Net loss and total comprehensive loss for the year	(186)

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

(c) Nanjing Jiayou City, which is considered a material joint venture of the Group for the years ended 31 December 2017 and 31 December 2018, co-develops a property development project with the other joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Nanjing Jiayou City adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash and cash equivalents	210,541	945,224
Other current assets	3,548,607	3,126,900
Total current assets	3,759,148	4,072,124
Non-current assets	–	141
Current liabilities	(1,968,769)	(3,017,690)
Non-current liabilities	(1,720,000)	(955,000)
Net assets	70,379	99,575
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	51%
Group's share of net assets of the joint venture	35,190	50,782
	35,190	50,782
Revenue	–	100
Expenses	(29,047)	(666)
Tax	(149)	141
Net loss and total comprehensive loss for the year	(29,196)	(425)

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

(d) Wuxi Tianhonglixin, which is considered a material joint venture of the Group for the year ended 31 December 2017 and 2018, co-develops a property development project with the other joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Wuxi Tianhonglixin adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash and cash equivalents	191,222	27,448
Other current assets	1,730,644	2,329,957
Total current assets	1,921,866	2,357,405
Non-current assets	21,772	4,131
Current liabilities	(1,577,442)	(2,177,498)
Non-current liabilities	(330,000)	(151,390)
Net assets	36,196	32,648

	31 December 2018 RMB'000	31 December 2017 RMB'000
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	65%	65%
Group's share of net assets of the joint venture	23,527	21,221
	23,527	21,221
Revenue	92,735	146,938
Expenses	(88,004)	(106,433)
Tax	(1,183)	(17,857)
Net profit and total comprehensive income for the year	3,548	22,648

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

(e) Suzhou Litai, which is considered a material joint venture of the Group for the year ended 31 December 2018, co-develops a property development project with the other joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Suzhou Litai adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	31 December 2018 RMB'000
Cash and cash equivalents	104,135
Other current assets	312,252
Total current assets	416,387
Non-current assets	–
Current liabilities	(222,994)
Non-current liabilities	(100,000)
Net assets	93,393
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	20.01%
Group's share of net assets of the joint venture	18,688
	18,688
Revenue	19
Expenses	(6,581)
Tax	–
Net loss and total comprehensive loss for the year	(6,562)

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

(f) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of the joint ventures' (loss)/profit for the year	(6,112)	2,686
Share of the joint ventures' total comprehensive income	(6,112)	2,686
Aggregate carrying amount of the Group's investments in the joint ventures	26,334	2,414

18. INVESTMENTS IN ASSOCIATES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	281,185	286,462

The Group's trade receivable and payable balances with associates are disclosed in note 40 to the financial statements.

18. INVESTMENTS IN ASSOCIATES *(Continued)*

(a) Particulars of the Group's associates are as follows:

2018

Name	Paid-in capital RMB'000	Place of registration and business	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
南京旭城房地產開發有限公司 Nanjing Xucheng Real Estate Co., Ltd. ("Nanjing Xucheng")	50,000	PRC/Nanjing China 2014	49% (note a)	49%	49%	Property development
和縣孔雀湖房地產開發有限公司 He County Peacock Lake Real Estate Co., Ltd. ("Hexian Kongquehu")	50,000	PRC/Ma'anshan China 2018	50%	50%	50%	Property development
蘇州業方房地產開發有限公司 Suzhou Yefang Real Estate Co., Ltd ("Suzhou Yefang")	100,000	PRC/Suzhou China 2017	19.99%	19.99%	19.99%	Property development
合肥銀弘房地產開發有限公司 Hefei Yinhong Real Estate Co., Ltd. ("Hefei Yinhong")	20,000	PRC/Hefei China 2018	100% (note b)	100%	100%	Propert development

18. INVESTMENTS IN ASSOCIATES *(Continued)*

(a) Particulars of the Group's associates are as follows: *(Continued)*

2017

Name	Paid-in capital RMB'000	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Nanjing Xucheng	50,000	PRC/2014 Nanjing	49%	49%	49%	Property development
Suzhou Yefang	100,000	PRC/2017 Suzhou	19.99%	19.99%	19.99%	Property development
Nanjing Yicheng	50,000	PRC/2014 Nanjing	40% (note c)	40%	40%	Property development
Nanjing Hongquan	80,000	PRC/2013 Nanjing	26.01% (note c)	26.01%	26.01%	Property development
Nanjing Mahui	286,000	PRC/2004 Nanjing	48.35% (note c)	48.35%	48.35%	Property development

Note (a): On 30 December 2017, the Group acquired a 49% interest in Nanjing Xucheng from a related party. The acquisition was made as part of the Group's strategy to expand its property development business.

Note (b): Hefei Yinhong is classified as an associate (as defined under IFRS) of the Group. Under a co-operation agreement entered into between the Group and Hefei Xuhui Enterprise Management Company Limited (合肥旭輝企業管理有限公司) on 7 December 2018, Hefei Yinhong is a project company and that there will be a change to the shareholding structure by which the Group and Hefei Xuhui Enterprise Management Company Limited will each hold 50% interest respectively in Hefei Yinhong, when the condition be reached. Hefei Yinhong is accounted as an associate of the Group as the Group owns 49% of the voting rights and only exercises significant influence on Hefei Yinhong according to the articles of association.

Note (c): Nanjing Hongquan, Nanjing Yicheng and Nanjing Mahui became subsidiaries of the Group in 2018. Please refer to note 1(c), 1(e) and 1(g).

18. INVESTMENTS IN ASSOCIATES *(Continued)*

(b) Nanjing Xucheng, which is considered a material associate of the Group for the years ended 31 December 2017 and 2018, is a strategic partner of the Group engaged in property development and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Nanjing Xucheng adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash and cash equivalents	22,470	236,274
Other current assets	1,044,765	1,258,805
Total current assets	1,067,235	1,495,079
Non-current assets	3	38,451
Current liabilities	(604,408)	(1,334,149)
Non-current liabilities	–	–
Net assets	462,830	199,381
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate	226,787	97,697
	226,787	97,697
Revenue	1,052,606	1,188,039
Expenses	(530,202)	(842,454)
Tax	(258,957)	(196,204)
Net profit and total comprehensive income for the year	263,447	149,381

18. INVESTMENTS IN ASSOCIATES *(Continued)*

(c) Nanjing Mahui, which is considered a material associate of the Group for the year ended 31 December 2017, is a strategic partner of the Group engaged in property development and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Nanjing Mahui adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	31 December 2017 RMB'000
Cash and cash equivalents	38,677
Other current assets	914,664
Total current assets	953,341
Non-current assets	18,475
Current liabilities	(533,541)
Non-current liabilities	(146,000)
Net assets	292,275
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	48.35%
Group's share of net assets of the associate	141,315
	141,315
Revenue	27,214
Expenses	(37,843)
Tax	16,904
Net profit and total comprehensive income for the year	6,275

18. INVESTMENTS IN ASSOCIATES *(Continued)*

(d) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of the associates' losses for the year	**(17,716)**	(5,224)
Share of the associates' total comprehensive losses	**(17,716)**	(5,224)
Aggregate carrying amount of the Group's investments in the associates	**54,398**	47,450

19. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Advertising fee for offsetting against future taxable profits RMB'000	Accrued construction cost RMB'000	Unrealised revenue received in advance RMB'000	Financial guarantee contracts RMB'000	Unpaid land value added tax RMB'000	Total RMB'000
At 1 January 2017	48,785	–	53	56,972	–	42,116	147,926
Deferred tax credited/ (charged) to profit or loss during the year	(28,878)	37	10	32,262	6,289	1,693	11,413
At 31 December 2017 and 1 January 2018	19,907	37	63	89,234	6,289	43,809	159,339
Acquisition of subsidiaries	541	–	–	50,471	–	–	51,012
Deferred tax credited/(charged) to profit or loss during the year (note 10)	6,837	–	2,814	(55,311)	(3,145)	52,643	3,838
At 31 December 2018	27,285	37	2,877	84,394	3,144	96,452	214,189

19. DEFERRED TAX *(Continued)*

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Fair value adjustment arising from investment properties RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2017	–	7,136	–	7,136
Eliminated on disposal of subsidiaries	–	(325)	–	(325)
Deferred tax credited to profit or loss during the year	–	5,256	–	5,256
At 31 December 2017 and 1 January 2018	–	12,067	–	12,067
Acquisition of subsidiaries	363,779	–	–	363,779
Deferred tax credited/(debited) to profit or loss during the year (note 10)	(26,566)	3,701	27,984	5,119
At 31 December 2018	337,213	15,768	27,984	380,965

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**199,194**	147,971
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(365,970)**	(699)
	(166,776)	147,272

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2018, deferred tax amounting to RMB27,984,000 (2017: nil) has been recognised for withholding taxes. It is probable that these subsidiaries will distribute such earnings in the foreseeable future.

19. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB398,328,000 as at 31 December 2018 (31 December 2017: RMB560,461,000).

The Group had unutilised tax losses arising in the PRC of approximately RMB476,403,000 as at 31 December 2018 (31 December 2017: RMB80,410,000) , that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the deductible temporary differences amounting to approximately RMB82,857,000 as at 31 December 2018 (31 December 2017: RMB72,053,000), respectively, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

20. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Unlisted fund investments, at fair value	**–**	321,008

The unlisted investments were wealth management products as at 31 December 2017 which designated as available-for-sale investments.

The fair value measurement of the available-for-sale investments is categorised within Level 3 of the fair value hierarchy. Further details are included in note 43 to the financial statements.

21. PROPERTIES UNDER DEVELOPMENT

	31 December 2018 RMB'000	31 December 2017 RMB'000
Carrying amount at 1 January	**6,990,880**	7,876,158
Additions	**9,854,422**	2,231,132
Transferred to completed properties held for sale (note 22)	**(3,997,265)**	(3,116,410)
Acquisition of subsidiaries	**4,549,667**	–
Carrying amount at 31 December	**17,397,704**	6,990,880

The Group's properties under development are situated on leasehold lands in Mainland China.

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB10,630,510,000 as at 31 December 2018 (31 December 2017: RMB3,601,811,000) have been pledged to secure bank and other borrowings granted to the Group which are disclosed in note 29.

22. COMPLETED PROPERTIES HELD FOR SALE

	31 December 2018 RMB'000	31 December 2017 RMB'000
Carrying amount at 1 January	**1,280,040**	2,064,278
Acquisition of subsidiaries	**445,268**	–
Disposal of a subsidiary	**–**	(9,998)
Transferred from properties under development (note 21)	**3,997,265**	3,116,410
Transferred to cost of sales (note 6)	**(3,598,812)**	(3,890,650)
Carrying amount at 31 December	**2,123,761**	1,280,040

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB1,304,153,000 as at 31 December 2018 (31 December 2017: RMB797,484,000) have been pledged to secure bank and other borrowings granted to the Group which are disclosed in note 29.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Prepayments for acquisition of land use rights	**–**	390,000
Deposits for land use right	**6,328**	60,000
Prepayments for construction cost	**1,258**	–
Other deposits	**43,000**	31,889
Other tax recoverable	**332,543**	109,146
Due from third parties (note 41)	**538,310**	1,521,251
Interest receivables (note 41)	**363**	25,380
Other receivables (note 41)	**17,607**	6,788
	939,409	2,144,454

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment. There was no provision made for impairment of other receivables during the reporting period.

24. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash and bank balances	**1,719,442**	1,309,928
Less: Restricted cash	**122,820**	138,625
Pledged deposits	**7,441**	–
	1,589,181	1,171,303

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in the designated bank accounts for a specified use. As at 31 December 2018, such restricted cash amounted to RMB122,820,000 (31 December 2017: RMB138,625,000).

Bank deposits of nil and RMB7,441,000 were pledged as security for purchasers' mortgage loans, construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes as at 31 December 2018 (31 December 2017: nil).

As at 31 December 2017 and 2018, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

25. TRADE AND BILLS PAYABLES

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 1 year	**1,880,153**	690,345
Over 1 year	**370,172**	227,058
	2,250,325	917,403

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

26. OTHER PAYABLES AND ACCRUALS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Deposits related to construction	**90,384**	7,847
Interest payable (note 41)	**60,041**	19,457
Payroll and welfare payable	**59,728**	11,790
Tax and surcharges	**11,433**	6,044
Advanced from third parties (note 41)	**2,624,465**	1,157,406
Accrued liabilities	**53,131**	–
Others	**9,156**	16,468
	2,908,338	1,219,012

Other payables are unsecured and repayable on demand. The fair values of other payables at the end of each of the reporting period approximated to their corresponding carrying amounts.

27. SHARE-BASED PAYMENTS

On 29 May 2018, the Group determined to issue 34,118,149 shares at the subscription price of US$0.001 per share to four senior executives under an employee motivation scheme. All the shares were immediately settled upon granted.

The fair value of the shares granted is based on a comparable transaction price, which is the consideration of an equity transfer transaction between the Controlling Shareholder and an independent third party, who was then a shareholder of Yincheng Real Estate Group Co., Ltd., settled in early 2018, the transaction price of which was in turn based on the profit forecasts made by the Company's management.

At the date of the report, the Company has no shares outstanding under the employee motivation scheme.

The expense for employee services was recognised at the first day when the shares were granted, which is shown in the following table:

	2018 RMB'000	2017 RMB'000
Expense arising from equity-settled share-based payment transactions	**82,600**	–

28. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Contract liabilities	**5,274,810**	3,839,732

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 which are mainly from property development and sales. According to the business model of the Group, for revenue recognised from sales of properties, all such revenue are carried forward from contract liabilities during the reporting period. The amounts of outstanding payments from customers which are not received but contracted are and RMB1,588,635,000 as at 31 December 2018 (31 December 2017: RMB55,194,000).

The expected timing of recognition of revenue at the end of each of the reporting period is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year	**5,512,023**	3,469,188
More than one year	**1,351,422**	425,738
	6,863,445	3,894,926

The following table shows the revenue recognised during the reporting period related to carried-forward contract liabilities:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Sale of properties	**3,758,844**	4,397,071

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2018			31 December 2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Other loans — secured	11.37–14.30	2019	906,000	–	–	–
Current portion of long term bank loans — secured	5.23–6.27	2019	3,009,980	5.32–5.49	2018	845,302
Current portion of long term other loans — secured	8.50–10.00	2019	1,384,083	8.59–8.83	2018	497,061
			5,300,063			1,342,363
Non-current						
Bank loans — secured	4.83–6.65	2020–2021	4,791,341	4.84–6.01	2019–2020	2,845,599
Other loans — secured	–	–	–	8.59–10.00	2019–2020	1,472,135
Other loans — unsecured	7.50	2020	100,000	–	–	–
			4,891,341			4,317,734
			10,191,404			5,660,097

Bank and other borrowings

	31 December 2018 RMB'000	31 December 2017 RMB'000
Analysed into:		
Repayable within one year	5,300,063	1,342,363
Repayable in the second year	2,573,458	3,385,304
Repayable in the third to fifth years	2,317,883	932,430
Subtotal	4,891,341	4,317,734
	10,191,404	5,660,097

The Group's borrowings are denominated in RMB.

The Group's borrowings of up to RMB7,214,371,000 as at 31 December 2018 (31 December 2017: RMB1,525,302,000) were borrowings with floating interest rates.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values as at 31 December 2018:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Investment properties (note 15)	**211,182**	196,596
Prepaid land lease payments (note 16)	**109,678**	112,024
Properties under development (note 21)	**10,630,510**	3,601,811
Completed properties held for sale (note 22)	**1,304,153**	797,484

At 31 December 2018, the Group pledged its 100.00% equity interest in Xuzhou Changshun Real Estate Co., Ltd., its 33.00% equity interest in Nanjing Yinjialan Enterprise Management Co., Ltd., its 100.00% equity interest in Nanjing Yinjiazhan Enterprise Management Co., Ltd., its 100% equity interest in Hangzhou Yinhong Industrial Co., Ltd. and its 100% equity interest in Nanjing Yinjiahui Enterprise Management Co., Ltd. for certain banking facilities granted to the Group.

At 31 December 2017, the Group pledged its 50.83% equity interest in Nanjing Eastern Senior Living Health Industry Co., Ltd., its 100.00% equity interest in Nanjing Yinzhuo Real Estate Co., Ltd., its 51.00% equity interest in Nanjing Yinjialan Enterprise Management Co., Ltd. and its 100.00% equity interest in Nanjing Yinjiazhan Enterprise Management Co., Ltd. for certain banking facilities granted to the Group.

The company controlled by the director of the Company has guaranteed certain of the Group's bank loans of up to and RMB5,433,275,000 as at 31 December 2018 (31 December 2017: RMB5,161,721,000).

Management of the Company has assessed that the fair values of interest-bearing bank borrowings and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and independent third party financial institutions based on prevailing market interest rates.

30. FINANCIAL GUARANTEES CONTRACTS

Financial guarantee contracts provided for in the consolidated financial statements were as follows:

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Guarantees liabilities for loans and borrowings of a related party	(1)	**18,867**	25,156
Less: Current		**(6,289)**	(6,289)
Non-current		**12,578**	18,867

(1) The guarantee made in favour of related parties by the Group was in an aggregate amount of RMB745,000,000 as at 31 December 2018 (31 December 2017: RMB745,000,000). For further details, please refer to note 40.

These financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. After initial recognition, such a contract shall subsequently measure it at the higher of: (i) the amount of the loss allowance determined and, (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. The fair values of financial guarantee contracts were estimated based on market values of guarantees provided with similar terms and risks under comparable business environment.

31. SHARE CAPITAL AND TREASURY SHARES

	31 December 2018
Authorised:	
3,900,000,000 of ordinary shares of US$0.1 each	**390,000,000**
Issued and fully paid:	
4,251,145 ordinary shares at US$0.1 each	**347**

The Company was incorporated in the Cayman Islands on 8 January 2018 with an authorised share capital of US$50,000 divided into 500,000,000 shares of US$0.0001 par value each. On its date of incorporation, 1 ordinary share of US$0.0001 was allotted by the Company to a subscriber, and was transferred to Silver Huang Holding Limited, a company controlled by Mr. Huang Qing Ping. On this same date, the Group determined to issue 499,999,999 shares at the subscription price of US$0.0001 per share to Silver Dai Holding Limited, Silver Zhu Holding Limited, Silver Xie Holding Limited, Silver Ma Holding Limited, Silver Li Holding Limited and Silver Cao Holding Limited.

31. SHARE CAPITAL AND TREASURY SHARES *(Continued)*

On 29 May 2018, the authorised share capital of the Company increased from US$50,000 divided into 500,000,000 shares of a par value of US$0.0001 each to US$50,000,000 divided into 500,000,000,000 shares of a par value of US$0.0001 each by the creation of an additional 499,500,000,000 shares of a par value of US$0.0001 each in the share capital of the Company, with such new shares ranking pari passu in all respects with each other and with the existing shares of the Company in issue.

On 29 May 2018, the Group determined to issue 34,118,149 shares at the subscription price of US$0.001 per share to four members of senior management under an employee motivation scheme, and issue 10,900,371 shares to Silver Huang Holding Limited, a company controlled by Mr. Huang Qing Ping, as treasury shares.

On 29 May 2018, the authorised share capital of the Company further increased from US$50,000,000 divided into 500,000,000,000 USD shares to the aggregate of (i) US$50,000,000.00 divided into 500,000,000,000 USD shares and (ii) HK$390,000,000 divided into 3,900,000,000 shares with a par value of HK$0.1 each by the creation of 3,900,000,000 new shares with a par value of HK$0.1 each.

Upon completion of the above new shares issuance, the existing USD shares were repurchased by the Company out of the proceeds of the new share issuance and were cancelled immediately upon repurchase.

Upon completion of the above repurchase, 500,000,000,000 unissued USD shares of the Company were cancelled so that the authorised share capital of the Company was reduced to HK$390,000,000 divided into 3,900,000,000 shares with a par value of HK$0.1 each, in accordance with section 13 of Companies Law (as revised) of the Cayman Islands, and the number of the issued shares was 4,251,145 with a par value of HK$0.1 each.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2018 are presented in the consolidated statement of changes in equity.

(a) Capital reserve

On 29 May 2018, the Group determined to issue 34,118,149 shares at the subscription price of US$0.0001 per share to four members of senior management. The shares were issued for a total cash consideration of US$34,118, equivalent to RMB218,000 and compensation expenses amounting to RMB82,600,000.

(b) Statutory surplus reserves

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserves may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(c) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Corporate Restructuring and the Reorganisation for IPO purpose.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Due to related companies RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2017	4,375,766	82,423	4,458,189
Cash flows from financing activities	1,284,331	1,913,985	3,198,316
Cash flows from non-financing activities	–	17,259	17,259
At 31 December 2017 and 1 January 2018	5,660,097	2,013,667	7,673,764
Cash flows from financing activities	3,965,307	(404,624)	3,560,683
Acquisition of subsidiaries (note 35)	566,000	–	566,000
Cash flows from non-financing activities	–	6,373	6,373
At 31 December 2018	10,191,404	1,615,416	11,806,820

34. DISPOSAL OF SUBSIDIARIES

31 December 2017

Pursuant to the share transfer agreement dated 30 November 2017, the Group disposed of its 100% equity interest in 南京華中房地產開發有限責任公司 Nanjing Huazhong Real Estate Co., Ltd. ("Nanjing Huazhong") to a related company which is under common control of the ultimate shareholder, for nil consideration.

	2017 RMB'000
Net assets disposed of:	
Cash and cash equivalents	2,300
Prepayments, deposits and other receivables	96,635
Due from related companies	5,732
Properties held for sale	9,998
Investment in an associate	58,387
Property, plant and equipment	2,272
Investment properties	52,200
Trade and bills payables	(25,087)
Other payables, deposits received and accruals	(166,498)
Deferred tax liabilities	(325)
	35,614
Non-controlling interests	–
Merger reserve recognised on the Reorganisation	(35,614)
Satisfied by cash	–

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

31 December 2017 *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and cash equivalents disposed of	(2,300)
Net outflow of cash and cash equivalents in respect of the disposal of Nanjing Huazhong	(2,300)

35. BUSINESS COMBINATIONS

31 December 2018

On 21 March 2018, the Group acquired another 1% voting rights in Nanjing Jiuchengxing from the other shareholder of Nanjing Jiuchengxing at a cash consideration of nil, after which the Group owned 51% voting rights and 50% equity interests of Nanjing Jiuchengxing. The acquisition was made as part of the Group's strategy to expand its property development business.

On 31 March 2018, the Group acquired another 73.99% equity interest in Nanjing Hongquan from the other two shareholders at a cash consideration of RMB72,930,000, after which the Group owned 100% equity interests of Nanjing Hongquan. The acquisition was made as part of the Group's strategy to expand its property development business. The purchase consideration was paid at the acquisition date.

On 2 May 2018, the Group acquired another 51.65% equity interest in Nanjing Mahui from the other two shareholders of Nanjing Mahui at a cash consideration of RMB300,743,000, after which the Group owned 100% equity interests of Nanjing Mahui. The acquisition was made as part of the Group's strategy to expand its property development business. The purchase consideration was paid at the acquisition date.

On 2 May 2018, the Group acquired another 60% equity interest in Nanjing Yicheng from the other two shareholders of Nanjing Yicheng at a cash consideration of RMB316,843,000, after which the Group owned 100% equity interest of Nanjing Yicheng. The acquisition was made as part of the Group's strategy to expand its property development business. The purchase consideration was paid at the acquisition date.

On 7 May 2018, the Group acquired a 35% equity interest in Wuxi Yifeng from a third party at a cash consideration of RMB56,000,000. The acquisition was made as part of the Group's strategy to expand its property development business.

On 21 May 2018, the Group acquired a 49% equity interest in Nanjing Airport Exhibition from a third party at a cash consideration of nil. The acquisition was made as part of the Group's strategy to expand its property development business.

On 30 June 2018, the Group acquired a 100% equity interest in Xuzhou Changshun from a third party at a cash consideration of RMB159,350,000. The acquisition was made as part of the Group's strategy to expand its property development business.

The Group elected to measure the non-controlling interests in the acquirees at the proportionate share of its interests in the acquirees' identifiable net assets.

35. BUSINESS COMBINATIONS *(Continued)*

	Nanjing Jiuchengxing RMB'000	Nanjing Hongquan RMB'000	Nanjing Mahui RMB'000	Nanjing Yicheng RMB'000	Wuxi Yifeng RMB'000	Nanjing Airport Exhibition RMB'000	Xuzhou Changshun RMB'000	Total RMB'000
Properties under development	1,839,000	–	549,500	1,132,200	1,028,967	–	–	4,549,667
Completed properties held for sale	–	–	182,700	262,568	–	–	–	445,268
Cash and cash equivalents	129,514	1,252	119,895	38,798	18,578	808	2,911	311,756
Restricted cash	–	–	48,943	34,140	–	–	–	83,083
Prepayments, deposits and other receivables	32,924	146,768	687,053	309,438	60,345	5,923	289,755	1,532,206
Tax recoverable	–	1,314	21,713	39,790	7,412	–	–	70,229
Property, plant and equipment	–	–	–	10	55	–	–	65
Deferred tax assets	–	–	19,046	31,698	–	268	–	51,012
Trade and bills payables	(974)	(10,071)	(10,972)	(69,480)	(3,439)	(900)	–	(95,836)
Other payables, deposits received and accruals	(1,566,058)	(52,369)	(564)	(5,426)	(545,652)	(6,900)	(82,685)	(2,259,654)
Contract liabilities	–	–	(691,992)	(1,137,964)	(346,021)	–	–	(2,175,977)
Interest-bearing bank and other borrowings (note 29)	(320,000)	–	(246,000)	–	–	–	–	(566,000)
Tax payable	–	–	(82)	–	–	–	–	(82)
Deferred tax liabilities	(3,628)	–	(97,138)	(151,919)	(60,463)	–	(50,631)	(363,779)
Total identifiable net assets at fair value	110,778	86,894	582,102	483,853	159,782	(801)	159,350	1,581,958
Non-controlling interests	(55,389)	–	–	–	(103,782)	–	–	(159,171)
The fair value interests held by the Company before the acquisition	(55,389)	(22,601)	(281,359)	(193,541)	–	–	–	(552,890)
Investment loss recognised in acquisition of subsidiaries (included in other income and net gains)	–	8,638	–	26,531	–	801	–	35,970
Purchase consideration transferred	–	72,930	300,743	316,843	56,000	–	159,350	905,866
Satisfied by:								
Cash	–	72,930	300,743	316,843	–	–	–	690,516
Deferred cash consideration	–	–	–	–	56,000	–	159,350	215,350
	–	72,930	300,743	316,843	56,000	–	159,350	905,866
Analysis of cash flows on acquisition								
Cash acquired with subsidiaries	129,514	1,252	119,895	38,798	18,578	808	2,911	311,756
Cash paid	–	(72,930)	(300,743)	(316,843)	–	–	–	(690,516)
Net cash flows on acquisition included in cash flows from investing activities	129,514	(71,678)	(180,848)	(278,045)	18,578	808	2,911	(378,760)

35. BUSINESS COMBINATIONS *(Continued)*

The fair value of the prepayments, deposits and other receivables amounts is RMB1,532,206,000. The gross amount of prepayments, deposits and other receivables is RMB1,532,206,000 and it is expected that the full contractual amounts can be collected.

Since the acquisition, these entities acquired contributed totally RMB299,072,000 to the Group's revenue and a loss of RMB81,607,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year ended 31 December 2018 would have been RMB5,071,593,000 and RMB438,191,000.

36. ACQUISITION OF A SUBSIDIARY NOT ACCOUNTED FOR AS A BUSINESS COMBINATION

On 29 September 2018, the Group acquired another 33.34% equity interest in Ma'anshan Shunbi from a third party. The acquisition was made as part of the Group's strategy to expand its property development business.

The above acquisition has been accounted for an acquisition of assets in the Group's consolidated financial statements. The purchase cost of the Group is allocated to the assets and liabilities, respectively on the basis of their relative fair values at the date of purchase.

The allocation of the purchase cost on the basis of the relative fair values of the assets and liabilities acquired as at the date of the purchase is as follow:

	Fair value consideration allocated RMB'000
Net assets acquired of:	
Cash and cash equivalents	49,876
Prepayments, deposits and other receivables	1,510
Properties under development	971,148
Property, plant and equipment	49
Other payables, deposits received and accruals	(992,580)
	30,003

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	(10,003)
Cash and cash equivalents acquired	49,876
Satisfied by cash	39,873

37. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

		31 December 2018 RMB'000	31 December 2017 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	**2,887,081**	1,404,013
Guarantees given to banks and other institutions in connection with facilities granted to related parties	(2)	**871,651**	885,000
		3,758,732	2,289,013

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

(2) The Group provided guarantees to banks and other institutions in connection with financial facilities granted to the related companies. The total guarantee amount of RMB871,651,000 as at 31 December 2018 (31 December 2017: RMB885,000,000) were secured by the pledges, the directors of the Company considered no financial guarantee provision was needed in respect of the guarantees.

38. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out its investment properties (note 15) under operating lease arrangements with leases negotiated for terms ranging from 1 to 21 years. The terms of leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year	3,380	3,529
In the second to fifth years, inclusive	5,742	9,292
After five years	241	1,415
	9,363	14,236

As lessee

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of 1 to 5 years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year	6,095	4,618
In the second to fifth years, inclusive	4,993	9,103
	11,088	13,721

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Contracted, but no provided for:		
— Property, plant and equipment	**52,806**	49,553
— Properties under development	**5,587,460**	2,702,004
— Investment properties	**121,803**	10,895
— Capital contributions payable to		
Subsidiaries	**115,000**	10,003
Associates	**75,000**	30,060
	5,952,069	2,802,515

40. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related party	Relationship with the Group
Mr. Huang Qing Ping	The director of the Company
南京佳佑城房地產開發有限公司 (Nanjing Jiayou City Real Estate Co., Ltd.)	Joint venture
南京九城興房地產開發有限公司 (Nanjing Jiuchengxing Real Estate Co., Ltd.)	Joint venture
蘇州恆萬置地有限公司 (Suzhou Hengwan Land Co., Ltd.)	Joint venture
蘇州立泰置業有限公司 (Suzhou Litai Real Estate Co., Ltd.)	Joint venture
無錫天弘利信房地產諮詢有限公司 (Wuxi Tianhonglixin Property Consulting Co., Ltd.)	Joint venture
新城房地產開發(無錫)有限公司 (Xincheng Real Estate (Wuxi) Co., Ltd.)	Joint venture
南京銀嘉泓企業管理有限公司 (Nanjing Yinjiahong Enterprise Management Co., Ltd.)	Joint venture
南京湖濱金陵飯店有限公司 (Nanjing Lakeside Jinling Hotel Co., Ltd.)	Associate
和縣孔雀湖房地產開發有限公司 (He County Peacock Lake Real Estate Co., Ltd.)	Associate
南京旭城房地產開發有限公司 (Nanjing Xucheng Real Estate Co., Ltd.)	Associate

40. RELATED PARTY TRANSACTIONS *(Continued)*

(1) Name and relationship *(Continued)*

Name of related party	Relationship with the Group
蘇州渝熙房地產開發有限公司 (Suzhou Yuxi Real Estate Co., Ltd.)	Associate
南京易城房地產開發有限公司 (Nanjing Yicheng Real Estate Co., Ltd.)	Associate
南京弘全房地產開發有限公司 (Nanjing Hongquan Real Estate Co., Ltd.)	Associate
南京馬會置業有限公司 (Nanjing Mahui Real Estate Co., Ltd.)	Associate
合肥銀弘房地產開發有限公司 (Hefei Yinhong Real Estate Co., Ltd.)	Associate
銀城地產集團股份有限公司 (Yincheng Real Estate Group Co., Ltd.)	Company controlled by the director of the Company
南京東方頤年養老服務有限公司 (Nanjing Eastern Yinian Pension Service Co., Ltd.)	Company controlled by the director of the Company
南京東方頤和養老服務有限公司 (Nanjing Eastern Yihe Pension Service Co., Ltd.)	Company controlled by the director of the Company
南京弘安房地產開發有限公司 (Nanjing Hongan Real Estate Co., Ltd.)	Company controlled by the director of the Company
南京華中苑酒店有限公司 (Nanjing Huazhongyuan Hotel Co., Ltd.)	Company controlled by the director of the Company
南京薈房網絡科技有限公司 (Nanjing Huifang Network Technology Co., Ltd.)	Company controlled by the director of the Company
南京錦城佳業營銷策劃有限公司 (Nanjing Jincheng Jiaye Marketing Planning Co., Ltd.)	Company controlled by the director of the Company
南京錦城一家文化傳媒有限公司 (Nanjing Jincheng Culture Media Co., Ltd.)	Company controlled by the director of the Company
南京銀城惠美佳家政服務有限公司 (Nanjing Yincheng Huimeijia Home Economics Service Co., Ltd.)	Company controlled by the director of the Company
南京銀城健身有限公司 (Nanjing Yincheng Fitness Co., Ltd.)	Company controlled by the director of the Company
南京銀城科技有限公司 (Nanjing Yincheng Technology Co., Ltd.)	Company controlled by the director of the Company
南京銀城物業服務股份有限公司 (Nanjing Yincheng Property Service Co., Ltd.)	Company controlled by the director of the Company
南京銀嘉安企業管理有限公司 (Nanjing Yinjiaan Enterprise Management Co., Ltd.)	Company controlled by the director of the Company

40. RELATED PARTY TRANSACTIONS *(Continued)*

(1) Name and relationship *(Continued)*

Name of related party	Relationship with the Group
南京銀嘉宸企業管理有限公司 (Nanjing Yinjiachen Enterprise Management Co., Ltd.)	Company controlled by the director of the Company
南京銀龍房地產開發有限公司 (Nanjing Yinlong Real Estate Co., Ltd.)	Company controlled by the director of the Company
南京原谷生態農業有限公司 (Nanjing Yuangu Ecological Agriculture Co., Ltd.)	Company controlled by the director of the Company
南京薈盛行房產經紀有限公司 (Nanjing Hui Shengxing Real Estate Agency Co., Ltd.)	Company controlled by the director of the Company
南京耘初商業管理有限公司 (Nanjing Yunchu Commercial Management Co., Ltd.)	Company controlled by the director of the Company
南京物色網絡科技有限公司 (Nanjing Wuse Network Technology Co., Ltd.)	Company controlled by the director of the Company
重慶蘇逸房地產開發有限公司 (Chongqing Suyi Real Estate Co., Ltd.)	Company controlled by the director of the Company
南京壹城壹品文化傳媒有限公司 (Nanjing Yicheng Yipin Culture Media Co., Ltd.)	Company controlled by the director of the Company
南京銀嘉煌企業管理有限公司 (Nanjing Yinjiahuang Enterprise Management Co., Ltd.)	Company controlled by the director of the Company

(2) Related party transactions

The following transactions were carried out with related parties during the year:

	2018 RMB'000	2017 RMB'000
Advances from related companies (excluding joint ventures and associates):		
Nanjing Eastern Yinian Pension Service Co., Ltd.	42,250	44,260
Nanjing Hui Shengxing Real Estate Agency Co., Ltd.	3	–
Chongqing Suyi Real Estate Co., Ltd.	5,000	–
Nanjing Yincheng Property Service Co., Ltd.	1,609	–
Nanjing Jincheng Jiaye Marketing Planning Co., Ltd.	54	–
Yincheng Real Estate Group Co., Ltd.	6,101,108	7,201,185

40. RELATED PARTY TRANSACTIONS *(Continued)*

(2) Related party transactions *(Continued)*

	2018 RMB'000	2017 RMB'000
Repayment of advances from related companies (excluding joint ventures and associates):		
Nanjing Eastern Yinian Pension Service Co., Ltd.	56,650	2,200
Nanjing Hui Shengxing Real Estate Agency Co., Ltd.	3	–
Chongqing Suyi Real Estate Co., Ltd.	5,000	–
Nanjing Yincheng Property Service Co., Ltd.	1,609	–
Nanjing Jincheng Jiaye Marketing Planning Co., Ltd.	54	–
Yincheng Real Estate Group Co., Ltd.	6,706,665	6,095,239
Advances to related parties (excluding joint ventures and associates):		
Nanjing Yinjiahuang Enterprise Management Co., Ltd.	10	–
Nanjing Eastern Yinian Pension Service Co., Ltd.	13,400	–
Nanjing Hongan Real Estate Co., Ltd.	31	112,608
Nanjing Yinjiaan Enterprise Management Co., Ltd.	–	10
Nanjing Eastern Yihe Pension Service Co., Ltd.	53,111	–
Repayment of advances to related parties (excluding joint ventures and associates):		
Nanjing Eastern Yinian Pension Service Co., Ltd.	13,400	–
Nanjing Hongan Real Estate Co., Ltd.	–	323,800
Nanjing Huazhongyuan Hotel Co., Ltd.	–	100,000
Nanjing Yinjiaan Enterprise Management Co., Ltd.	10	–
Nanjing Yinjiachen Enterprise Management Co., Ltd.	10	–
Nanjing Eastern Yihe Pension Service Co., Ltd.	53,111	–
Advances from joint ventures and associates:		
Xincheng Real Estate (Wuxi) Co., Ltd.	818,863	158,000
Nanjing Hongquan	–	47,725
Nanjing Mahui Real Estate Co., Ltd.	–	263,024
Nanjing Yicheng Real Estate Co., Ltd.	–	103,335
Nanjing Yinjiahong Enterprise Management Co., Ltd.	4,970	205,100
Wuxi Tianhonglixin	261,990	–
Suzhou Yuxi Real Estate Co., Ltd.	19,990	–
Nanjing Xucheng Real Estate Co., Ltd.	411,600	–

40. RELATED PARTY TRANSACTIONS *(Continued)*

(2) Related party transactions *(Continued)*

	2018 RMB'000	2017 RMB'000
Repayment of advances from joint ventures and associates:		
Xincheng Real Estate (Wuxi) Co., Ltd.	837,675	–
Nanjing Hongquan Real Estate Co., Ltd.	47,726	–
Nanjing Mahui Real Estate Co., Ltd.	263,024	–
Nanjing Yicheng Real Estate Co., Ltd.	103,335	–
Nanjing Lakeside Jinling Hotel Co., Ltd.	–	136
Nanjing Yinjiahong Enterprise Management Co., Ltd.	20,531	11,069
Suzhou Yuxi Real Estate Co., Ltd.	19,990	–
Nanjing Xucheng Real Estate Co., Ltd.	9,800	–
Advances to joint ventures and associates:		
Nanjing Jiayou City	500,039	1,022,500
Nanjing Jiuchengxing	–	163,289
Wuxi Tianhonglixin	124,420	881,500
Suzhou Hengwan	126,435	–
Suzhou Litai	60,280	–
Hefei Yinhong Real Estate Co., Ltd.	173,543	–
He County Peacock Lake Real Estate Co., Ltd.	310,919	–
Suzhou Yuxi Real Estate Co., Ltd.	69,091	–
Repayment of advances to joint ventures and associates:		
Nanjing Jiayou City	933,788	–
Nanjing Jiuchengxing	367,029	518,879
Wuxi Tianhonglixin	1,314,420	45,000
Suzhou Hengwan	88,246	–
Suzhou Litai	20,144	–
Suzhou Yuxi Real Estate Co., Ltd.	50,245	–
Rental income from a related party:		
Nanjing Yincheng Fitness Co., Ltd.	2,324	5,797
Rental fees to a related party:		
Yincheng Real Estate Group Co., Ltd.	4,966	4,959
Software transferred from a related party:		
Yincheng Real Estate Group Co., Ltd.	6,922	–

40. RELATED PARTY TRANSACTIONS *(Continued)*

(2) Related party transactions *(Continued)*

	2018 RMB'000	2017 RMB'000
Property management fee to a related party:		
Nanjing Yincheng Property Service Co., Ltd.	14,010	26,775
Project management fee to a related party:		
Yincheng Real Estate Group Co., Ltd.	105	82,946
Project management income from related parties:		
Nanjing Xucheng Real Estate Co., Ltd.	21,857	–
Nanjing Jiayou City Real Estate Co., Ltd.	13,278	–
Suzhou Hengwan Land Co., Ltd.	156	–
Suzhou Litai Real Estate Co., Ltd.	668	–
Suzhou Yuxi Real Estate Co., Ltd.	585	–
Xincheng Real Estate (Wuxi) Co., Ltd.	18,132	–
Service fees from related parties:		
Nanjing Huazhongyuan Hotel Co., Ltd.	1,923	–
Nanjing Yincheng Huimeijia Home Economics Service Co., Ltd.	31	–
Nanjing Yincheng Technology Co., Ltd.	4	–
Nanjing Jincheng Culture Media Co., Ltd.	–	554
Nanjing Jincheng Jiaye Marketing Planning Co., Ltd.	1,320	264
Nanjing Hui Shengxing Real Estate Agency Co., Ltd.	2,422	–
Nanjing Huifang Network Technology Co., Ltd.	2,390	1,490
Nanjing Wuse Network Technology Co., Ltd.	316	416
Nanjing Yicheng Yipin Culture Media Co., Ltd.	179	–
Nanjing Yunchu Commercial Management Co., Ltd.	1,880	–
Nanjing Yuangu Ecological Agriculture Co., Ltd.	380	6,131
Guarantee provided for bank and other borrowings by related companies:		
Yincheng Real Estate Group Co., Ltd.	4,688,722	4,161,721
Mr. Huang Qing Ping	198,683	498,375
Yincheng Real Estate Group Co., Ltd. and Mr. Huang Qing Ping jointly	2,525,649	1,000,000

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

40. RELATED PARTY TRANSACTIONS *(Continued)*

(3) Other transactions with related parties

(i) The company controlled by the director of the Company has guaranteed certain of the Group's bank loans of up to RMB7,214,371,000 as at 31 December 2018 (31 December 2017: RMB5,161,721,000).

(ii) The guarantee made in favour of related parties by the Group was of RMB871,651,000 as at 31 December 2018 (31 December 2017: RMB885,000,000). For further details, please refer to note 37.

(4) Outstanding balances with related parties

	31 December 2018 RMB'000	31 December 2017 RMB'000
Due from related parties:		
Balances relating to non-operating activities:		
He County Peacock Lake Real Estate Co., Ltd.	310,919	–
Nanjing Hongan Real Estate Co., Ltd.	31	–
Hefei Yinhong Real Estate Co., Ltd.	173,543	–
Nanjing Jiayou City Real Estate Co., Ltd.	588,750	1,022,500
Nanjing Jiuchengxing Real Estate Co, Ltd.	–	367,029
Wuxi Tianhonglixin	–	1,190,000
Nanjing Yinjiachen Enterprise Management Co., Ltd.	–	10
Nanjing Yinjiaan Enterprise Management Co., Ltd.	–	10
Suzhou Hengwan	38,189	–
Suzhou Litai	40,136	–
Suzhou Yuxi Real Estate Co., Ltd.	18,846	–
Nanjing Yinjiahuang Enterprise Management Co., Ltd.	10	–
	1,170,424	2,579,549
Due from related parties:		
Balances relating to operating activities:		
Nanjing Jincheng Jiaye Marketing Planning Co., Ltd.	58	–
Nanjing Jiayou City Real Estate Co., Ltd.	6,347	–
Nanjing Yincheng Fitness Co., Ltd.	7,752	5,428
	14,157	5,428

40. RELATED PARTY TRANSACTIONS *(Continued)*

(4) Outstanding balances with related parties *(Continued)*

	31 December 2018 RMB'000	31 December 2017 RMB'000
Due to related parties:		
Balances relating to non-operating activities:		
Yincheng Real Estate Group Co., Ltd.	560,667	1,166,224
Nanjing Eastern Yinian Pension Service Co., Ltd.	36,460	50,860
Nanjing Yicheng Real Estate Co., Ltd.	–	103,335
Nanjing Mahui Real Estate Co., Ltd.	–	263,024
Nanjing Hongquan	–	47,726
Nanjing Xucheng Real Estate Co., Ltd.	401,800	–
Nanjing Yinjiahong Enterprise Management Co., Ltd.	178,470	194,031
Wuxi Tianhonglixin	261,990	–
Xincheng Real Estate (Wuxi) Co., Ltd.	139,189	158,000
	1,578,576	1,983,200

	31 December 2018 RMB'000	31 December 2017 RMB'000
Due to related parties:		
Balances relating to operating activities:		
Nanjing Huazhongyuan Hotel Co., Ltd.	–	187
Nanjing Huifang Network Technology Co., Ltd.	–	41
Nanjing Yincheng Property Service Co., Ltd.	19,009	15,362
Yincheng Real Estate Group Co., Ltd.	17,831	14,877
	36,840	30,467

Balances with the above related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

40. RELATED PARTY TRANSACTIONS *(Continued)*

(5) Compensation of key management personnel of the Group

	2018 RMB'000	2017 RMB'000
Short term employee benefits	10,372	6,868
Share-based payment	82,600	–
Pension scheme contributions and social welfare	782	714
Total compensation paid to key management personnel	93,754	7,582

Further details of directors' emoluments are included in note 8 to the financial statements.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2018

Financial assets

	Loans and receivables RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables (note 23)	556,280	556,280
Trade receivables	2	2
Due from related companies (note 40)	1,184,581	1,184,581
Restricted cash (note 24)	122,820	122,820
Pledged deposits (note 24)	7,441	7,441
Cash and cash equivalents (note 24)	1,589,181	1,589,181
	3,460,305	3,460,305

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

31 December 2018 *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (note 25)	2,250,325
Financial liabilities included in other payables and accruals (note 26)	2,684,506
Interest-bearing bank and other borrowings (note 29)	10,191,404
Due to related companies (note 40)	1,615,416
	16,741,651

31 December 2017

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables (note 23)	1,553,419	–	1,553,419
Trade receivables	1,992	–	1,992
Due from related companies (note 40)	2,584,977	–	2,584,977
Restricted cash (note 24)	138,625	–	138,625
Available-for-sale investments (note 20)	–	321,008	321,008
Cash and cash equivalents (note 24)	1,171,303	–	1,171,303
	5,450,316	321,008	5,771,324

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

31 December 2017 *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (note 25)	917,403
Financial liabilities included in other payables, deposits received and accruals (note 26)	1,176,863
Interest-bearing bank and other borrowings (note 29)	5,660,097
Financial guarantee contracts (note 30)	25,156
Due to related companies (note 40)	2,013,667
	9,793,186

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Financial assets				
Available-for-sale investments	**–**	321,008	**–**	321,008
Financial liabilities				
Interest-bearing bank and other borrowings	**10,191,404**	5,660,097	**10,055,728**	5,522,388

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables, deposits received and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair values of financial guarantee contracts are approximate to their carrying amounts based on Management assessment.

For the fair values of the available-for-sale investments, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the available-for-sale investments is categorised within Level 3 of the fair value hierarchy.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

The Group's corporate finance team headed by the chief finance officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At the reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for annual financial reporting.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of the reporting period:

Available-for-sale	Valuation technique	Significant	Range	Sensitivity of fair value to the
investments	Discounted cash flow method	unobservable input 2017 3.45% to 3.55%	1% increase	input An increase (decrease) in discount rate would result in the decrease (increase) in fair value of by RMB101,000 as at 31 December 2017

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, restricted cash, pledged deposits, trade and other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 29. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately and RMB5,881,000 for the year ended 31 December 2018 (31 December 2017: RMB1,144,000).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk

Under IAS 39

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities to customers.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debt losses during the year 2017.

The credit risk of the Group's other financial assets, which mainly comprise restricted cash and pledged deposits, cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments as at 31 December 2017.

Under IFRS 9

The carrying amounts of restricted cash, pledged deposits, cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2018.

As at 31 December 2018, all restricted cash, pledged deposits and cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

The Group classified financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally from one to six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group applies the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses also incorporate forward-looking information based on key economic variables such as the per capita disposable income of urban residents and central bank base rate.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group has established a policy to perform an assessment for the period beginning on 1 January 2018, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group classifies its other receivables and amounts due from related companies into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1 When other receivables and amounts due from related companies are first recognised, the Group recognises an allowance based on 12 months' ECLs.

Stage 2 When other receivables and amounts due from related companies have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs.

Stage 3 When other receivables and amounts due from related companies are considered credit-impaired, the Group records an allowance for the lifetime ECLs.

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables and amounts due from related companies as well as individual assessment on the recoverability of other receivables and amounts due from related companies based on historical settlement records and past experience. The Group has classified financial assets included in prepayments, deposits and other receivables and amounts due from related companies in stage 1 and continuously monitors their credit risk. The Company uses the expected credit loss rate of 0.17%, considering the default probability and recovery probability, to estimate the impairment of financial assets included in prepayments, deposits and other receivables, and amounts due from related companies, and the directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments, deposits and other receivables and amounts due from related companies and no provisions were recognised.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and senior notes. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2018					
Interest-bearing bank and other borrowings	1,601,800	308,332	3,868,414	5,228,925	11,007,471
Financial guarantee contracts	–	–	–	871,651	871,651
Trade and bills payables	–	2,250,325	–	–	2,250,325
Other payables	–	2,684,506	–	–	2,684,506
Due to related companies	–	1,615,416	–	–	1,615,416
	1,601,800	6,858,579	3,868,414	6,100,576	18,429,369

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2017					
Interest-bearing bank and other borrowings	733,800	78,697	844,461	4,553,991	6,210,949
Financial guarantee contracts	–	–	–	885,000	885,000
Trade and bills payables	–	917,403	–	–	917,403
Other payables	–	1,176,863	–	–	1,176,863
Due to related companies	–	2,013,667	–	–	2,013,667
	733,800	4,186,630	844,461	5,438,991	11,203,882

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, trade and bills payables, other payables, deposits received and accruals and amounts due to related companies less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade and bills payables	2,250,325	917,403
Other payables, deposits received and accruals	2,908,338	1,219,012
Interest-bearing bank and other borrowings	10,191,404	5,660,097
Due to related companies	1,615,416	2,013,667
Less: Cash and cash equivalents	(1,589,181)	(1,171,303)
Net debt	15,376,302	8,638,876
Equity attributable to owners of the Company	1,568,599	1,330,859
Capital and net debt	16,944,901	9,969,735
Gearing ratio	91%	87%

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets the financial covenants attached to the interest-bearing borrowings that define capital structure requirements. Breaches of the financial covenants would permit to banks to immediately call borrowings. There were breaches of the financial covenants of interest-bearing borrowings amounting to RMB1,601,800,000 as at 31 December 2018 (31 December 2017: RMB733,800,000).

44. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

31 December 2018

	Percentage of equity interest held by non-controlling interests %	(Loss)/profit for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
Wuxi Yifeng	65	(24,550)	79,231
SUNAC Real Estate	50	(10,492)	139,481
Nanjing Eastern Senior Living	25*	130,766	330,223

* On 28 May 2018, the Group acquired another 24.17% equity interest in Nanjing Eastern Senior Living from the other two shareholders, after which the Group owned 75% equity interest in it.

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Wuxi Yifeng RMB'000	Nanjing Eastern Senior Living RMB'000	SUNAC Real Estate RMB'000
Revenue	–	3,381,261	–
Total expenses	(37,770)	(2,436,333)	(27,831)
Income tax expense	–	(418,495)	6,847
(Loss)/profit and total comprehensive (expense)/income for the year	(37,770)	526,433	(20,984)
Current assets	1,690,909	2,158,292	1,181,133
Non-current assets	55	1,085,207	7,078
Current liabilities	(1,029,070)	(1,907,614)	(534,249)
Non-current liabilities	(540,000)	(14,993)	(375,000)
Net cash flows from/(used in) operating activities	(392,842)	179,003	(552,970)
Net cash flows from/(used in) financing activities	600,000	(905,119)	543,750
Net increase/(decrease) in cash and cash equivalents	207,158	(726,116)	(9,220)

44. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

31 December 2017

	Percentage of equity interest held by non-controlling interests %	Profit for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
Nanjing Eastern Senior Living	49.17	(11,968)	416,533
Nanjing Hongyou	49	4,264	123,949

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Nanjing Eastern Senior Living RMB'000	Nanjing Hongyou RMB'000
Revenue	–	52,545
Total expenses	(31,272)	(33,890)
Income tax expense	6,933	(9,952)
Profit/(loss) and total comprehensive income for the year	(24,339)	8,703
Current assets	4,751,278	427,343
Non-current assets	637,025	41,717
Current liabilities	(3,848,492)	(216,101)
Non-current liabilities	(692,682)	–
Net cash flows from operating activities	76,485	68,155
Net cash flows from/(used in) investing activities	(176,043)	135,500
Net cash flows from/(used in) financing activities	826,111	(200,000)
Net increase in cash and cash equivalents	726,553	3,655

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2018 RMB'000
CURRENT ASSETS	
Cash and cash equivalents	–
Prepayments, deposits and other receivables	340
Total current assets	340
NON-CURRENT ASSETS	
Investments in subsidiaries	82,600
Total non-current assets	82,600
CURRENT LIABILITIES	
Due to a subsidiary	1,874
Total current liabilities	1,874
NET CURRENT LIABILITIES	(1,534)
TOTAL ASSETS LESS CURRENT LIABILITIES	81,066
NET ASSETS	81,066
EQUITY	
Equity attributable to owners of the parent	
Share capital (note 31)	347
Treasury shares (note 31)	(7)
Reserves	80,726
TOTAL EQUITY	81,066

46. SUBSEQUENT EVENT

Pursuant to a written resolution of the shareholders of the Company passed on 6 March 2019, a total of approximately 1,058,534,993 shares of HK$0.1 each ("**Shares**") were allotted and issued at par value to the shareholders as of the date immediately before the listing date of 6 March 2019 (the "**Listing Date**") on a pro rata basis by way of capitalisation of approximately HK$105,854,000 from the Company's share premium account on the Listing Date.

On 6 March 2019, upon its listing on the Stock Exchange, the Company issued 354,262,000 new Shares at HK$2.38 each.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2019.